



European Commission
DG Enterprise and Industry

Study on the feasibility of a leather
labelling system at European level

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Final Report

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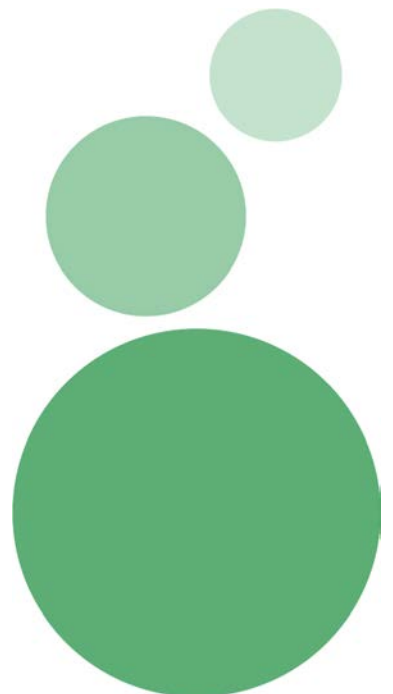


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1.0 Executive summary

The stated objective of the study is to:

- assess current national and voluntary schemes relating to the labelling of leather products;
- consider the consequences of the lack of a European leather authenticity label; and
- assess associated labelling issues as they impact on leather products¹.

Specifically, the study covers the types of labelling summarised below:

- country of origin labelling;
- traceability labelling;
- environmental labelling;
- social labelling;
- authenticity ('real leather') labelling; and
- animal species labelling.

1.1 Approach and methodology

This study is structured into two main sections:

a. Identification of key issues relating to the labelling of leather products

The aim of this section is to assess:

- the current situation;
- problems relating to the current situation; and
- actions that can be taken/are feasible at a European level to address these problems.

To achieve this, interviews were conducted in a sample of 13 Member States². In each Member State, stakeholders were interviewed from industry organisations, public authorities and consumer organisations. A shortlist of areas and policy options was developed on the basis of the stakeholder interviews and legal advice provided by an external expert.

The policy options retained for the second section all met the dual criteria of:

- desirability (stakeholders' perception of a problem); and
- feasibility (practical possibility for action at EU level).

¹ Terms of reference.

² DE, EL, ES, FR, HU, IT, LT, NL, PL, PT, RO, SE, UK.

b. Assessment of desirability and feasibility of policy options

The second section sets out estimates of the impacts to reach conclusions on which of the options could be cost beneficial. The section is based on the following sources:

- a consumer survey conducted in seven countries with 3 520 respondents;
- production and consumption data from the Eurostat Prodcorn Database;
- secondary data collected from previous studies; and
- stakeholder estimates where no data were available.

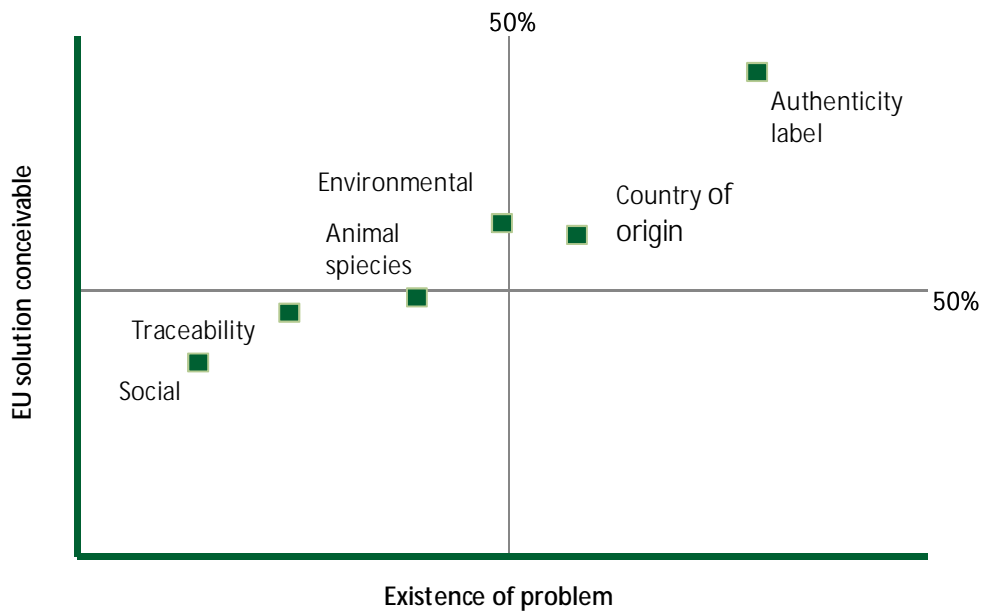
1.1.1 Limitations of the study

As the study is a feasibility study aiming to inform a potential impact assessment, policy options are more numerous and more broadly defined than they would be at formal impact assessment stage. This in turn means that it is not possible to provide highly accurate impact estimates. Instead, the figures presented in the impact summary tables should be seen as illustrative examples of the order of magnitude of potential impacts. For the same reason, the authors have abstained from discounting costs and benefits, as this could give the false impression that the impact estimates in this study carry the level of accuracy required for a formal impact assessment. Finally, many of the impacts are only generated via complex impact chains. As a consequence, evidence collected may suggest impacts contingent on predicted changes in consumer and industry behaviour. This is particularly the case for environmental and social impacts of the policy options, which are discussed in the chapters of the report but are in most cases not quantified.

1.2 Research findings

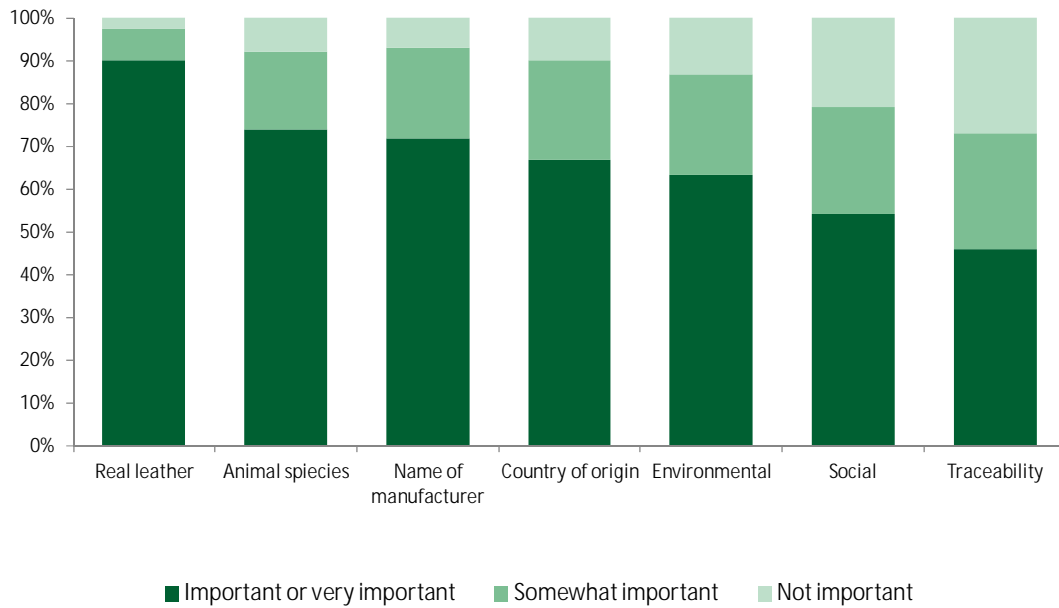
The findings from the stakeholder consultation with industry representatives and public authorities are summarised in Figure 1. The figure shows the percentage of stakeholders who perceived a certain area to be problematic (horizontal axis) and the proportion of stakeholders who considered a solution at EU level to be conceivable.

Figure 1: Summary of views of industry and public authority stakeholders interviewed



Input from consumer organisations was very limited. Consequently, input from consumer organisations is described separately in the problem definition section. As a consequence, input from the consumer survey was used to validate and augment the findings from the engagement with consumer organisations.

Figure 2: Most important information on a label according to consumers surveyed



On the basis of the findings illustrated in Figures 1 and 2, traceability was excluded from further scrutiny. It was considered by a majority of stakeholders not to be problematic and with very little perceived scope for EU action (Figure 1). This finding was further confirmed in the consumer survey (Figure 2).

Assessment of desirability and feasibility of options

The overview of potential impacts suggested action in the area of **authenticity**. A voluntary label appears to yield the best outcome. However, it does not appear to be cost beneficial to augment such a label with an **animal species** designation. The inclusion of leather products in the scope of the **EU Ecolabel** appears to have a neutral outcome. The experience from other product categories such as textiles indicates that a relatively small proportion of producers can be expected to take it up. However, given recent increase in consumer and industry attention to the subject, take-up could be superior to what was seen in the textile industry.

The policy options focusing on tackling misleading **environmental and social claims** do not appear to demonstrate a positive overall impact. This could be caused by the small size of the market for ethical and environmentally friendly leather products. A transversal approach, where guidance was made available for several product types and sectors, might be more cost effective as development costs and monitoring and enforcement costs would constitute a smaller proportion of the overall costs and benefits.

The following boxes summarise the impact analysis of the selected policy options. Given the range of drivers involved, it has only been possible to give broad estimates relating to a limited number of the identified costs and benefits.

Country of origin information	
Identification of key issues	
Main problem(s)	Potential consumer misinformation and unfair competition between businesses due to lack of explicit uniform origin labelling requirements of leather products in the EU.
Policy option	Country of origin information system.
Desirability	
Consumer	Neutral/low positive (+/-) Evidence of consumer demand for origin information, which is understood as a tool to communicate also about product safety, but risk of cost of adapting labels being passed on to consumer.
Industry	Low positive (+/-) Cost of adapting label but only to businesses, who believe they could benefit from labelling for marketing purposes.
Public authority	Medium negative (-) Cost of developing and cost of monitoring and enforcement.
Total impact	Neutral (+/-)
Feasibility	
Neutral	
<ul style="list-style-type: none"> • The practical implementation of this policy option could be challenging if it requires market surveillance authorities across the EU to perform random checks on leather product labels. • Existence of information systems in other countries indicates that obstacles may be surmountable. 	

Cost-benefit			
Costs		Benefits	
Cost of development (one-off)	3–4 years [not costed]	Hypothetical benefit of increase in sales	Ambiguous evidence [not costed]
Cost of informing consumers (one-off)	€12.2m		
Annual cost of monitoring and enforcement	€0.68m–13.5m	Benefit of simplified rules	No evidence of an impact [not costed]
Cost of adapting labels (one-off) ³⁴	€32.6m–45.7m		
Cost of increasing consumer prices	No clear evidence [not costed]	Benefit for consumer information	Some evidence of consumer benefit [not costed]
Total one-off cost	€44.8m–57.9m	Total one-off benefit	N/A
Total annual cost	€0.68m–13.5m	Total annual benefit	Some evidence of benefit to consumer Ambiguous evidence of increase in sales [not costed]
Cost-benefit		<p><u>Insufficient evidence for cost-benefit analysis</u> <u>Over a five-year period, costs are estimated to reach €48.2m–125.4m⁵</u></p> <p><u>This cost is equivalent to the value of a hypothetical 0.1–0.4%⁶ increase in sales of leather products in the EU in the same five-year period (baseline 2011)</u></p>	
Desirability: neutral		Feasibility: neutral	Cost-benefit: insufficient evidence

³ As described in detail in chapter 6.2.1, it is assumed that, for a voluntary labelling system, the cost of adapting labels will fall on the companies that are currently labelling in a way which would be considered misleading under the new rules. The cost of take-up will additionally be borne by industry stakeholders who see an economic benefit in it. However, as this group of businesses will take on the cost voluntarily and therefore presumably have this cost offset by commercial gains, they are not included in this cost estimate. It is in addition not expected that this group will be large. A voluntary definition will most likely not lead to a significant increase in take-up as any increase in consumer confidence, which could motivate take-up, is likely to be gradual.

⁴ This cost estimate only relates to the change of physical label and not to the collection and management of the information on it. This cost category could be significant but only if the chosen definition differed significantly from those applied for customs purposes and/or for mandatory systems in other important global markets.

⁵ Cost over a five-year period = total one-off cost + (total annual cost*5)

⁶ Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) € 7.1bn/5

Authenticity labelling	
Identification of key issues	
Main problem(s)	The term leather is not or is poorly protected in most Member States. Estimated 15–20% of goods sold as leather in the EU do not originate from animal skins and hides.
Policy option	<ul style="list-style-type: none"> • introduce voluntary authenticity label; • introduce mandatory authenticity label; or • use the Unfair Commercial Practices Directive.
Desirability	
Consumer	Medium positive (+) Evidence of consumer interest in leather labelling.
Industry	High positive (+/+) Large gain to leather industry from protection of the use of the word leather.
Public authority	Medium negative (-) Cost of developing and cost of monitoring and enforcement.
Total impact	High positive (+/+)
Feasibility – Voluntary	
High positive No major obstacles to introduce regulated leather label. Footwear directive to provide the blueprint for the design and the definition.	

Cost-benefit – voluntary			
Costs		Benefits	
Cost of development (one-off)	€0.7m–4.7m	Benefit to leather industry from a potential 15–50% increase in the market currently held by 'fake' leather products	€105.8m–705.1m <i>Change in market share rather than net benefit⁷</i>
Cost of informing consumers (one-off)	€12.2m		
Annual cost of monitoring and enforcement	€0.68m– 13.5m	Annual benefit from legal certainty and the clarity of rules	€1.6m–4.1m
Cost of adapting labels ⁸ (one-off)	€97.8m–325.9m	Impact on consumer information [not costed]	High positive but not quantifiable
Impact on consumer prices	Ambiguous evidence [not costed]		
Total one-off cost	€110.7m–342.9m	Total one-off benefit	N/A
Total annual cost	€0.68m–13.5m	Total annual benefit	€1.6m–4.1m + €105.8m–705.1m + High positive impact on consumers
Cost-benefit		<p><u>This policy option is potentially cost beneficial</u></p> <p><u>Over a five-year period, costs are estimated to reach €114.1m–410.4m⁹</u></p> <p><u>This cost is equivalent to the value of a hypothetical 0.3–1.2%¹⁰ increase in sales of leather products in the EU in the same five-year period (baseline 2011).</u></p>	

⁷ A full assessment would require estimating the size and growth of different segments of both the legal and the illegal markets. As this is beyond the scope of this study, the potential market gains to the leather industry are used as an indicator of the magnitude of the benefit of an authenticity labelling system. This enables the comparison between options but does not provide sufficient basis for a direct comparison with the cost side.

⁸ Unlike the cases of origin labelling, the cost to businesses of voluntarily taking up the label is included in this estimate (based on a scenario in which up to 50% of businesses would adopt the label). This is because a high level of take-up is a condition for the value of a harmonised leather label.

⁹ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹⁰ Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) € 7.1bn/5

Feasibility – mandatory			
Low negative			
It will require effective implementation and communication to ensure that <i>all</i> leather products carry the same label. This will also force businesses, which do not see a commercial advantage in the label, to apply it to their products.			
Cost–benefit – mandatory			
Costs		Benefits	
Cost of development (one-off)	€0.7m–4.7m	Benefit to leather industry from a potential 30–70% increase in the market currently held by 'fake' leather products	€317.3–987.2m <i>Change in market share rather than net benefit</i> ¹¹
Cost of informing consumers (one-off)	€12.2m		
Annual cost of monitoring and enforcement ¹²	€1.4m– 27m	Annual benefit from legal certainty and the clarity of rules	€1.6m–4.1m
Cost of adapting labels (one-off)	€651.9m (assuming 100% compliance)		
Impact on consumer prices	Ambiguous evidence [not costed]	Impact on consumer information	High positive but not quantifiable [not costed]
Total one-off cost	€664.9m–668.9m	Total one-off benefit	N/A
Total annual cost	€1.4m–27m + Potential impact on consumer prices	Total annual benefit	€1.6m–4.1m + €317.3–987.2m + High positive impact on consumers
Cost–benefit		<p><u>This policy option is potentially cost-beneficial</u></p> <p><u>Over a five-year period, costs are estimated to reach €71.7m–803.9m</u>¹³</p> <p><u>This cost is equivalent to the value of a hypothetical 1.9–2.3%¹⁴ increase in sales of leather products in the EU in the same five-year period (baseline 2011).</u></p>	

¹¹ A full assessment would require estimating the size and growth of different segments of both the legal and the illegal markets. As this is beyond the scope of this study, the potential market gains to the leather industry are used as an indicator of the magnitude of the benefit of an authenticity labelling system. This enables comparison between options but does not provide sufficient basis for a direct comparison with the cost side.

¹² Monitoring and enforcement of a mandatory leather label is assumed to be twice as costly as that for a voluntary label.

¹³ Cost over a year-year period = total one-off cost + (total annual cost*5)

¹⁴ Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) € 7.1bn/5

Feasibility – Unfair Commercial Practices Directive			
High positive			
This has already been done to a certain extent at Member State level and in the USA			
Cost–benefit – Unfair Commercial Practices Directive			
Costs		Benefits	
Cost of development (one-off)	€0.4m–2.4m	Benefit to leather industry from a potential 15–50% increase in the market currently held by 'fake' leather products	€105.8m–705.1m <i>Change in market share rather than net benefit¹⁵</i>
Cost of informing consumers (one-off)	€6.1m		
Annual cost of monitoring and enforcement	€0.68m–13.5m	Annual benefit from legal certainty and the clarity of rules	€1.6m–4.1m
Cost of adapting labels ¹⁶	€98m–130m		
Impact on consumer prices	Ambiguous evidence [not costed]	Impact on consumer information	Low positive but not quantifiable [not costed]
Total one-off cost	€104m–139m	Total one-off benefit	N/A
Total annual cost	€0.68m–13.5m	Total annual benefit	€1.6m–4.1m + €105.8m–705.1m + Low positive impact on consumers
Cost–benefit		<p><u>This policy option is potentially cost-beneficial</u></p> <p><u>Over a five-year period, costs are estimated to reach €107.6m–159.1m¹⁷</u></p> <p><u>This cost is equivalent to the value of a hypothetical 0.3–0.5%¹⁸ increase in sales of leather products in the EU in the same five-year period (baseline 2011).</u></p>	

¹⁵ A full assessment would require estimating the size and growth of different segments of both the legal and the illegal markets. As this is beyond the scope of this study, the potential market gains to the leather industry are used as an indicator of the magnitude of the benefit of an authenticity labelling system. This enables comparison between options but does not provide sufficient basis for a direct comparison with the cost side.

¹⁶ The cost of adapting labels will fall on the companies that are currently labelling in a way which would be considered misleading under the new rules. Cost to businesses deciding to start adding leather authenticity information is not included in the estimate.

¹⁷ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹⁸ Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) € 7.1bn/5

Comparison of policy options for authenticity label

The mandatory label appears to be the best option with very high gains although also high costs. However, given the fact that benefits fall on such a narrow group and costs generally fall on public authorities, the voluntary label could be a better choice. It has significantly lower costs and the optimal impact on consumers. Additionally, it will be much easier to implement and will avoid forcing businesses to label products that they do not see any commercial value in.

Comparison of policy options for authenticity label				
		Mandatory label	Voluntary label	UCP guidelines
Benefits	Impact on consumer confidence and resulting overall increase in sales of leather products	High positive	High positive	Low positive
	Benefits of fewer legal disputes	€8m–20.5m		
	Value of potential market share gained to leather industry from misleading products over a five-year period	€1.6bn–4.9bn	€528m–3.5bn	€528m–3.5bn
Costs	Estimated cost over a five-year period	€671.7m–803.9m	€114.1m–410.4m	€107.6m–159.1m
Desirability		Medium positive	High positive	High positive
Feasibility		Low negative	High positive	High positive

Animal species labelling – voluntary			
Identification of key issues			
Main problem(s)	This information could be of value to some consumer groups (e.g. religious or ideological).		
Policy option	Introduce voluntary animal species label.		
Desirability			
Consumer	Neutral (+/-) Currently few cases of mislabelling. It is generally easy to tell the difference between four main animal types.		
Industry	Neutral (+/-) Cost of labelling restricted to businesses with a commercial interest in the label.		
Public authority	Low negative (-) Cost of developing, monitoring and enforcing.		
Total impact	Low negative (+/-)		
Feasibility			
High positive If a leather label is introduced, augmenting it with animal species information will not be complicated.			
Cost–benefit			
Costs		Benefits	
Cost of development (one-off)	€0.35m–2.35m	Hypothetical impact on sales of authentic leather products	Likely to be low if any [not costed]
Cost of informing consumers (one-off)	€2.4m		
Annual cost of monitoring and enforcement	€67 000–1.35m	Impact on consumer information	Neutral to low positive [not costed]
Cost of adapting labels (one-off)	€0 ¹⁹		
Impact on consumer prices	No evidence [not costed]		
Total one-off cost	€2.8m–4.8m	Total one-off benefit	N/A
Total annual cost	€67,000–1.35m	Total annual benefit	Neutral to low consumer impact
Cost–benefit		<u>This policy option is unlikely to be cost-beneficial</u>	
Desirability: low negative		Feasibility: high positive	Cost–benefit: low negative

¹⁹ As this option is a potential augmentation of the leather label rather than an independent label, only products carrying the leather authenticity label will apply it. This means that the cost of adapting labels is already accounted for in the authenticity labelling policy option.

Animal species labelling – mandatory			
Identification of key issues			
Main problem(s)	This information could be of value to some consumer groups (e.g. religious or ideological).		
Policy option	Introduce mandatory animal species label.		
Desirability			
Consumer	Neutral to low negative (+/-) Currently few cases of mislabelling. Generally easy to tell the difference between four main animal types. Risk of consumer carrying cost of label.		
Industry	Neutral to low negative (+/-) Cost of labelling imposed on businesses with no commercial interest in it.		
Public authority	Medium negative (-) : Cost of developing, monitoring and enforcing.		
Total impact	Medium negative (-/-)		
Feasibility			
Low positive A mandatory animal species label will face the same challenges as a mandatory leather authenticity label.			
Cost–benefit			
Costs		Benefits	
Cost of development (one-offer)	€0.35m–2.35m	Hypothetical impact on sales of authentic leather products	Likely to be low if any [not costed]
Cost of informing consumers (one-off)	€2.4m		
Annual cost of monitoring and enforcement	€134 000–2.7m	Impact on consumer information	Neutral to low positive [not costed]
Cost of adapting labels (One-off)	€ ²⁰		
Impact on consumer prices	No evidence [not costed]		
Total one-off cost	€2.8m–4.8m	Total one-off benefit	€0
Total annual cost	€134 000–2.7m + Potential impact on consumer prices	Total annual benefit	Neutral to low consumer impact
Cost–benefit		<u>This policy option is unlikely to be cost-beneficial</u>	
Desirability: Medium negative		Feasibility: low positive	Cost–benefit: low negative

²⁰ As this option is a potential augmentation of the leather label rather than an independent label, only products carrying the leather authenticity label will apply it. This means that the cost of adapting labels is already accounted for in the authenticity labelling policy option.

Environmental labelling – the EU Ecolabel			
Identification of key issues			
Main problem(s)	Leather products currently outside the scope of the European Ecolabel.		
Policy option	Broaden scope of European Ecolabel to cover leather products.		
Desirability			
Consumer	Low to neutral positive (+) There is evidence of consumer interest in environmentally friendly products.		
Industry	Low positive (+) Large expected gain to leather industry but small expected uptake.		
Public authority	Neutral to low negative (-) Cost of development.		
Environment	Neutral to low positive (+/-) Due to limited uptake.		
Total impact	Low positive (+)		
Feasibility			
High positive			
No major obstacles identified.			
Cost–benefit			
Costs		Benefits	
Cost of development (one-off)	€70 000	Hypothetical impact on sales of products with a limited environmental impact	Expected to be high but for a very small group of products [not costed]
Cost of informing consumers (one-off)	€3.1m Forms part of the general strategy of the Ecolabel		
Annual cost of monitoring and enforcement	Initial certification (one-off) €350–15 000 Annual fee €700–30 000	Environmental impact	Expected to be high but for a very small group of products [not costed]
Cost of adapting labels (one-off)	€652 000–6.5m (assuming uptake of 0.1–1%)	Impact on consumer information	Expected to be high but for a very small group of products [not costed]
Total one-off cost	€3.9m–9.8m	Total one-off benefit	N/A
Total annual cost	€700–30 000	Total annual benefit	Expected high increase in sales of a very small group of products + Neutral to small environmental and consumer impact

Cost–benefit	Insufficient evidence for cost–benefit analysis Over a five-year period, costs are estimated to reach €4.1m–9.8m ²¹	
	This cost is equivalent to the value of a hypothetical 2.8–11.1% ²² increase in sales of leather products with EU Ecolabels in the EU in the same five-year period (baseline 2011)	
Desirability: low positive	Feasibility: high positive	Cost–benefit: insufficient evidence

Unsubstantiated environmental claims – Unfair Commercial Practices Directive/Industry Standard	
Identification of key issues	
Main problem(s)	There is some evidence of unsubstantiated environmental claims in the market for leather products
Policy option	<ol style="list-style-type: none"> Using the Unfair Commercial Practices Directive based on existing good practices Encouraging standardisation work within CEN
Desirability	
Consumer	Neutral to low positive (+) <ul style="list-style-type: none"> Evidence of interest among consumers of buying environmentally friendly products But leather market very small
Industry	Low positive (+/-) <ul style="list-style-type: none"> Potential benefit from a restricted prevalence of type II labels Evidence of some limited positive impact on prices and sales of products with environmental labels
Public authority	UCP option: low to medium negative (-/+) CEN option: medium negative (-) Developing guidance not likely to be costly; data are being collected in the context of the ongoing revision of the UCP. CEN standard could be costly
Environment	Neutral (+/-) Given the small size of the market for environmentally friendly leather products
Total impact	Neutral to low negative (-)
Feasibility	
Medium positive	
Experiences from national level. Likely to be less effective than the national specific guidelines created at national level.	

²¹ Cost over a five-year period = total one-off cost + (total annual cost*5)

²² Hypothetical increase in EU sales of leather products with an Ecolabel in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) (between € 7m and €71m/5)

Cost-benefit			
Costs		Benefits	
Cost of development (one-off)	UCP 2 years CEN 4 years [not costed]	Environmental impact	Some evidence of an impact [not costed]
Cost of informing consumers (one-off)	€6.1m	Benefit of simplified rules	No evidence of an impact
Annual cost monitoring and enforcement	€0.7m–13.5m	Trade with third countries	No evidence of an impact
Industry cost of adapting labels (one-off)	€6.5m–9.8m	Impact on sales of products with a low environmental impact	Some evidence of an impact [not costed]
		Benefit to consumers	Some evidence of an impact [not costed]
One-off cost	€6.8m–15.9m + 2–4 years for development	One-off benefit	None
Annual cost	€0.7m–13.5m	Annual benefit	Some evidence of environmental impact + Some evidence of benefit to consumers
Cost-benefit		<p><u>Insufficient evidence for cost-benefit analysis</u></p> <p>Over a five-year period, costs are estimated to reach €10.1m–83.4m²³</p> <p>This cost is equivalent to the value of a hypothetical 2.9–4.7%²⁴ increase in sales of leather products with environmental labels in the EU in the same five-year period (baseline 2011).</p>	
Desirability: neutral to low negative		Feasibility: low positive	Cost-benefit: insufficient evidence

²³ Cost over a five-year period = total one-off cost + (total annual cost*5)

²⁴ Hypothetical increase in EU sales of leather products with an environmental label in the same five-year period = cost over a five-year period/(total value of annual sales of leather products with environmental labels) (between € 70.5 and € 352.6m/5)

Unsubstantiated social claims	
Identification of key issues	
Main problem(s)	Problem with unsubstantiated social claims
Policy option	Using the Unfair Commercial Practices Directive based on existing good practices
Desirability	
Consumer	Neutral to low positive (+/-) Evidence of consumer interest and willingness to pay for products produced under adequate working conditions; limited evidence of cost being passed on to consumers
Industry	Neutral (+/-) Voluntary nature of labels means that costs of adapting labels are limited to businesses with a commercial interest in the label
Public authority	Low negative (+/-) Developing guidance is expected to be more costly than for environmental claims but not significant
Working conditions	Neutral to low positive (+) Limited impact on the market for products with low environmental impact suggests that the environmental impact would be low
Total impact	Neutral (-/+)
Feasibility	
Medium positive Experiences from national level. Likely to be less effective than the national specific guidelines created at national level.	

Cost-benefit			
Costs		Benefits	
Cost of development (one-off)	4 years [not costed]	Environmental impact	Some evidence of an impact [not costed]
Cost of informing consumers (one-off)	€0.6m	Benefit of simplified rules	No evidence of an impact
Annual cost monitoring and enforcement	€0.07m–1.35m	Trade with third countries	No evidence of an impact
Industry cost of adapting labels (one-off)	€65 000–1m	Impact on sales of products with a low environmental impact	Some evidence of an impact [not costed]
		Benefit to consumers	Some evidence of an impact [not costed]
One-off cost	€0.7m–1.6m Four years for development	One-off benefit	N/A
Annual cost	€0.07m–1.35m	Annual benefit	Evidence of limited benefit to consumers and increase in sales for businesses Little evidence of social impact
Cost-benefit		<p><u>Insufficient evidence for cost-benefit analysis</u></p> <p><u>Over a five-year period, costs are estimated to reach €1m–8.3m²⁵</u></p> <p><u>This cost is equivalent to the value of a hypothetical 2.9–4.7%²⁶ increase in sales of leather products with social labels in the EU in the same five-year period (baseline 2011)</u></p>	
Desirability: neutral		Feasibility: low positive	Cost-benefit: insufficient evidence

²⁵ Cost over a five-year period = total one-off cost + (total annual cost*5)

²⁶ Hypothetical increase in EU sales of leather products with a social label in the same five-year period = cost over a five-year period/(total value of annual sales of leather products with social labels) (between €7.1m and €35.3m/5)

2.0 Introduction

This document contains a report on the study of labelling requirements for leather products. The report presents the problem definition framework, the results of problem definition data collection, including the findings from the case study interviews, an outline of the objectives and policy options, as well as an assessment of the potential impacts of the policy options.

The leather industry covers a large number of activities from the removal of skins and hides from animals, their cleaning, tanning, coloration and finishing. These processes all take place before the leather is sewn together to form a final consumer product. Leather is used in a large variety of different contexts including garments, shoes, suitcases, furniture and the interiors of cars and airplanes. As the focus of this study is consumer labelling, the leather market has been limited to final consumer products liable to carry a label. This includes, for example, leather garments such as coats and jackets, small leather items such as wallets and gloves (for a full list, see Annex 4). Footwear has not been included in the definition as this is regulated under a separate piece of legislation (see Section 3.3.1).

2.1 Study objectives and aims

The Terms of Reference (ToR) set the objectives of the study as follows:

- describe how the current existing national and voluntary schemes work and their advantages and disadvantages;
- analyse the issues raised by the lack of a European leather label indicating that the product is made of leather; and
- assess other labelling possibilities in the field of leather²⁷.

Specific types of labelling to be covered by the study included:

- country of origin labelling;
- traceability labelling;
- environmental labelling;
- social labelling;
- authenticity ('real leather') labelling; and
- animal species labelling.

The following research questions were set out for the study:

- what are the problems that a single European leather label can address?
- to what extent should such a label be accompanied by the specific forms of labelling outlined above?
- what role should the EU play in the elaboration of that labelling system?
- what would be the costs and benefits of different levels of harmonisation of leather labelling in the EU?

²⁷ Terms of Reference.

These questions would be answered by focusing on problem definition, options development and impact analysis.

2.2 Methodology

The approach in this study is to test the labelling areas against three basic criteria:

- desirability
- feasibility
- cost–benefit

In Section 3 (problem definition), the study aims to analyse stakeholder views and identify the key issues with regard to the current state of play. As part of the analysis, issues that are seen as problematic by stakeholders and for which EU action is considered warranted and feasible are set out. On that basis, a shortlist of feasible EU-level actions addressing these problems is developed in Section 5 (policy options). Section 6 (impact analysis) aims to provide estimates of the potential costs and benefits associated with each policy option.

The study is based on data from four key sources:

Case studies of a sample of 13 Member States

The sample has been selected to represent all geographical regions: four South (EL, ES, IT and PT), two North (SE and UK), three East (HU, LT and RO) and three Central Europe (DE, FR, NL and PL), small and large countries (six big and seven small). In each Member State, three types of stakeholders have been contacted: consumer organisations, public authorities and industry associations. In Romania, no stakeholders responded. The stakeholder interviews have formed the basis of section three (problem definition) of the study.

Interviews with standardisation bodies, voluntary schemes and other stakeholders

In order to inform the policy development, interviews have been conducted with standardisation bodies such as the CEN and voluntary schemes such as the UK labels of Leathersure, Qualitysure, Consumersure, Metalsure and Ecosure. An interview has also been conducted with the ETUF:TCL (the European Trade Union Federation: Textile Clothing and Leather sectors). In addition, European-level industry stakeholders such as COTANCE (European Council of Tanners), European Branded Clothing Alliance (EBCA) and European Association of Fashion Retailers (AEDT) have been consulted. These interviews have provided input to the Problem definition section.

Consumer panel survey

The survey was conducted by a specialised company, ORC International, in seven Member States (DE, ES, FR, UK, IT, SE, PL) with 3 520 respondents and took place in May 2012. ORC International Limited owns and maintains a panel of consumers who were consulted online. Participants in the panel receive questionnaires from ORC on an on-going basis regarding different issues. The panel consisted of representatives of consumers from all the main regions of each country, an even distribution of genders and included an equal number of respondents from three age categories (18–34, 35–54 and 55+). There are a number of caveats regarding the representativeness of panel surveys, which can result in bias. At the same time, they permit the inclusion of a much larger sample of respondents than a random sample phone survey. For

this study, an adequate geographical representation was prioritised. However, this means that the results should be interpreted with caution. For this reason, the consumer survey has only been applied to analyse potential impacts on consumers and not on other stakeholder groups (for example, on business through changes in sales).

Secondary data

On the basis of existing studies, estimates of cost and benefits have been established for each policy option. Secondary data are used throughout the study but particularly in the impact analysis section (Section 6). A component in the cost–benefit analysis is the use of the Eurostat Prodcom database. The term Prodcom is derived from PRODUcts of the European COMmunity. This is a survey based on products whose definitions are standardised across the EU to allow comparability between the member countries' data. Prodcom covers some 7 000 products that are assigned to some 250 industries. The Prodcom data are not part of official data collection for Customs but rely on reporting from individual companies. This leads to significant discrepancies between years as a consequence of untimely or inaccurate reporting. However, Prodcom data are the only official source for production data, displaying numbers at product group level and describing the EU market in detail. Therefore, it is useful to get an indication of size and trends within those markets. For a detailed outline of the included products, see Annex 4.

3.0 Problem definition

This section outlines the problem definition based on the research conducted to date. The first subsection outlines the problem definition framework, along with the key research questions. The following sections outline the findings in relation to the individual steps in the problem definition framework.

3.1 Problem definition framework

Figure 3 outlines the main steps in the proposed problem definition framework.

Figure 3: Problem definition framework



Table 1 outlines the main research questions and data sources used to complete the problem definition.

Table 1: Problem definition research questions and data sources

Element of the framework	Research questions	Data sources
Rationale for labelling	<ul style="list-style-type: none"> • What is the rationale for introducing labelling for leather products at EU level from the point of view of: <ul style="list-style-type: none"> • Internal market • Consumers • Wider society/environment? • What are the main needs that can be addressed by additional labelling? 	<ul style="list-style-type: none"> • Desk research • Comparisons with sectors with extensive EU-level labelling (through desk research and interviews)
Existing labelling	<ul style="list-style-type: none"> • What are the existing labelling requirements/systems? • How well do these systems function and is there scope for improvement? • What is the level of awareness about the current framework among stakeholders and in particular consumers? 	<ul style="list-style-type: none"> • Desk research (completing the baseline scenario) • Interviews with industry associations and individual businesses • Country case studies
Impact of existing labelling	<ul style="list-style-type: none"> • What are the specific problems in relation to the types of labels under scrutiny in the present study? 	<ul style="list-style-type: none"> • Desk research • Interviews with industry associations and individual businesses • Country case studies
Options development	<ul style="list-style-type: none"> • How can the above problems be best addressed? • What combination of labels and implementation of labelling can address the problems identified? 	<ul style="list-style-type: none"> • Country case studies • Commission workshop • Expert consultation (legal expert)

The following sections outline an overview of the problem definition issues, structured according to the framework above.

3.2 Rationale for labelling

Labelling has the potential to compensate for information gaps in the market, which can lead to inefficiencies. Allowing consumers to correctly estimate maintenance costs, durability, health risks and externalities associated with the products they buy can help maximise their welfare. At the same time, providing this information can encourage businesses to innovate and compete in new arenas, as well as to limit the scope of misleading and fraudulent marketing strategies. Harmonised labelling also has the potential to facilitate movement of goods in the single market, by ensuring more common requirements across different Member States. Finally, labelling can help consumers make purchasing choices based on the environmental or social impact of the products in question, which can in turn increase the sustainability of the leather sector.

Based on existing research, the main principles for investigating labelling of products at EU level would therefore include:

- ensuring that national labelling schemes do not constitute an obstacle to the internal market;
- ensuring fair competition between economic operators in the internal market by avoiding misrepresentation;
- ensuring that consumers are aware of the health and safety, environmental and social impacts of products; and
- ensuring that consumers can understand which product they are purchasing, especially when shopping across the EU.

These main principles are at the core of EU action in the area of labelling of leather products, and are the basis for further investigating the specific labels and issues that this study focused on. Although there are rationales for labelling of products, not only from the point of view of consumers and the wider society, but also for enterprises, it is worth noting that whether labelling of products is beneficial to an enterprise will largely depend on its position in the value chain and its main market. For instance, a producer that can sell its products at very competitive prices may not benefit from labelling, which would allow for shifting the competition away from price. Finally, consumers benefit from labelling in as far as the costs are not translated into substantially higher prices, or if labelling allows consumers to identify 'premium' products that they are willing to pay higher prices for.

3.3 Overview of existing EU labelling regime

This section outlines the existing labelling regime with regard to raw leather and leather products in the EU. As any proposed additional EU action in the area of labelling needs to take into consideration the existing regime, developing a full understanding of it is an important first step. At the end of this section, an overview of the stakeholder responses to the current regulatory framework is provided.

3.3.1 Relevant EU legislation

There is currently no EU-level framework for the labelling of leather products. The three pieces of legislation that are most directly of relevance to leather labelling are presented in Table 2.

Table 2: Existing EU-wide labelling requirements

Legislation	Labelling requirement
Regulation (EU) No. 1007/2011 ²⁸	Textile regulation
Directive 94/11/EC ²⁹	Labelling of footwear
Directive 2005/29/EC ³⁰	Unfair Commercial Practices Directive

These are described in more detail in the sections below.

Existing EU framework on textile fibre composition

The existing EU legislation on fibre composition focuses on textile labelling, but it is of certain relevance to leather labelling as it can inform the potential development of a leather labelling system. The new Regulation on textile fibre names and related labelling and marking, which has been published in the Official Journal on 18 October 2011, also contains provisions of relevance to producers and retailers of products containing leather.

The existing EU framework for the labelling of textile products consists primarily of the requirement for textile products to include a label with information about their fibre composition, using harmonised fibre names. In 2009, the Commission launched a proposal for the revision of legislation on textile names and related labelling of textile products³¹. The proposal led to the revision and simplification of the current legislative framework, in particular through the replacement of the existing three Directives with the Regulation (EU) No. 1007/2011 on textile fibre names and related labelling and marking^{32 33}.

²⁸ Regulation (EU) No. 1007/2011 has been published in the OJ on 18 October 2011
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:272:0001:0064:EN:PDF>

²⁹ Directive 94/11/EC of European Parliament and Council of 23 March 1994 on the approximation of the laws, regulations and administrative provisions of the Member States relating to labelling of the materials used in the main components of footwear for sale to the consumer.

³⁰ Directive 2005/29/EC of the European Parliament and Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and Council and Regulation (EC) No 2006/2004 of the European Parliament and Council ('Unfair Commercial Practices Directive') (Text with EEA relevance).

³¹ Regulation (EU) No 1007/2011 on textile fibre names and related labelling and marking of the fibre composition of textile products.

³² Regulation (EU) No 1007/2011 has been published in the OJ on 18 October 2011
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:272:0001:0064:EN:PDF>

³³ The three Directives focused on the following:

Directive 2008/121/EC on textile names stipulated that all textile products have to be labelled or marked whenever they are put on the market for production or commercial purposes. The Directive covered all raw, semi-worked, worked, semi-manufactured, semi-made, made-up products with more than 80% textile weight content.

Labelling provisions under these Directives aimed to enhance the idea of the single market by harmonising the procedures for determining the composition and labelling of textile products³⁴ and providing all consumers with identical information. The primary operational objective of the revision was to facilitate the adoption of new fibre names to be included in the harmonised list of fibres³⁵ while keeping the main objectives of EU legislation in this field, namely eliminating barriers to the internal market in the textile sector and guaranteeing that appropriate information is provided for consumers.

In the context of the present study, however, the most important provision of the regulation is Article 12, which implies a labelling requirement for textile products containing 'non-textile parts of animal origin'. This formulation is to be clearly stated on the label if a piece of garment contains any non-textile animal-derived parts. It is important to note that products only fall within the scope of the Regulation if they consist of at least of 80% textile fibres. Products consisting of more than 20% leather (in combination with any other non-textile material) will fall outside the scope of the regulation. As there is still no directive or regulation covering leather goods specifically, that means that these products will not be subject to Article 12 or any other labelling requirements. The stakeholder response to this provision is summarised in Section 3.4.4.

Unfair Commercial Practices Directive

The Unfair Commercial Practices Directive (UCPD) was adopted in 2005 and was set to be implemented across the Member States by December 2007. An important aspect of the Directive concerns misleading actions in commercial practices. A commercial action is considered misleading if it contains false information and is therefore untruthful, or in any way, including overall presentation, deceives or is likely to deceive the average consumer, even if the information is correct³⁶. This also includes omissions of information. A trader must provide the material information that the average consumer needs. According to the Directive, it is misleading to:

- omit material information that the average consumer needs, according to the context, to take an informed transactional decision;
- hide or provide material information in an unclear, unintelligible, ambiguous or untimely manner;
- fail to identify the commercial intent of the commercial practice if not already apparent from the context.

Hence, the UCPD touches on the questions of country of origin, traceability and environmental and social labelling in as far as certain uses of such labels can be misleading to consumers. The UCPD provisions about misleading origin labelling do not provide a clear definition of origin.

Directive 73/44/EEC and Directive 96/73/EC harmonised the methods for sampling and analysis to be used in Member States for the purpose of determining the fibre composition of binary³³ and ternary³³ textile fibre mixtures. Both Directives have been introduced in order to facilitate the implementation of the provisions on the harmonisation of textiles names (now regulated through Directive 2008/121/EC, but first introduced as early as 1971). In this sense, they (a) identified methods for the quantitative analysis of binary and ternary fibre mixtures, (b) set up rules in case no uniform method exists and (c) specified proceedings which take into consideration recent technical progress.

³⁴ Department of Trade and Industry of the United Kingdom. 2006. *Explanatory Memorandum to the Textile Products (Determination of Composition), Regulations 2006 No. 3298*, London available at www.analytical-s.co.uk/EC%20Directives/EXPLANATORY%20MEMORANDUM%20TO%202006%20No%203298.pdf

³⁵ *Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council on textile names and related labelling of textile products COM (2009) 31 final / 2 2009/0006 (COD)*

³⁶ Directorate General Health and Consumer Protection. 2006. *The Unfair Commercial Practices Directive – New laws to stop unfair behaviour towards consumers*. Luxembourg: Official Publication of the European Communities.

The European Footwear Directive 94/11/EC

The Directive 94/11/EC sets the standards for the composition labelling of footwear products. It is significant as, along with other materials, it also concerns the leather components of footwear. The legislation sets out that the authenticity of the leather material used in footwear (exclusively) is to be guaranteed by the label. The Directive mandates the transmission of this information through a set of simple and easily recognisable pictograms – pure leather is represented by a symbol resembling a stretched out raw hide. The introduction of the Directive was driven by the desire to protect and inform consumers, as well as to address the interests of industry. Finally, it also aimed to avoiding the disparity of regulations, which could be detrimental to the functioning of the internal market³⁷.

According to many of the industry stakeholders interviewed at this point, the Directive could serve as a blueprint for the labelling of leather or other product groups.

European Customs Code (EC/450/2008) – rules of origin

The Community's basic customs legislation is contained in the Customs Code (CCC) (Regulation EEC/2913/92) and the Code's Implementing Provisions (IPC) (Regulation EEC/2454/93). Implementing powers are conferred on the Commission, which is assisted by a Customs Code Committee³⁸. The Customs Code includes provisions defining the non-preferential rules of origin. Non-preferential rules are used for commercial policy measures, notably anti-dumping duties and countervailing duties, trade embargoes, safeguard and retaliation measures, quantitative restrictions. It can, however, also be used for origin marking. The Unfair Commercial Practices Directive carrying provisions about misleading origin labelling does not provide a clear definition. Although it does not make explicit reference to the European Customs Code, the Code nevertheless contains the only product origin definition in European law. A large fashion brand consulted as part of this study stated that the two pieces of legislation are interpreted as linked.

Rules of origin are administered by Customs departments rather than by trade ministries. As a result, the Kyoto Convention of the World Customs Organisation (1973, revised 1999) is the international basis for defining them³⁹. This convention sets down the two fundamental concepts that determine the origin of a product, namely 'wholly obtained' products and products having undergone a 'last substantial transformation'. These are the central concepts applied in the CCC.

If only one country is involved, the 'wholly obtained' concept will be applied. In practice, this will be restricted to products obtained in their natural state (such as minerals) and products derived from wholly obtained products⁴⁰. If two or more countries are involved in the production of goods, the concept of 'last, substantial transformation' determines the origin of the goods.

³⁷ Directive 94/11/EC of European Parliament and Council of 23 March 1994 on the approximation of the laws, regulations and administrative provisions of the Member States relating to labelling of the materials used in the main components of footwear for sale to the consumer.

³⁸ A modernised customs code Regulation (EC) No 450/2008 of the European Parliament and Council of 23 April 2008 laying down the Community Customs Code (Modernised Customs Code) has been adopted and will repeal Regulation EEC/2913/92 as it is implemented in the coming years. However, the changes are not important for the subject at hand.

³⁹ Gibbon, Peter. 2008. *Rules of origin and the European Union's preferential trade agreements, with special reference to the EU-ACP Economic Partnership Agreement*, Danish Institute for International Studies (DIIS), Working Paper 2008/15 available at: http://www.diis.dk/graphics/Publications/WP2008/WP08-15_Rules_of_Origin_and_the_European_Union%92s_Preferential_Trade_Agreements.pdf

⁴⁰ Article 23 of Council Regulation No 2913/92 'the Community Customs Code' (CCC).

Although the principle of last substantial transformation is universally recognised within the WTO contracting countries, there is wide variation in the practice of governments⁴¹. To determine the last substantial transformation, one or more of the following three types of criteria are usually applied:

- a rule requiring a change of tariff (sub)heading in the Harmonised System Nomenclature⁴²;
- a list of manufacturing or processing operations that do or do not confer on the goods the origin of the country in which these operations were carried out; or
- a value added rule, where the increase in value due to assembly operations and incorporation of originating materials represents a specified level of the ex-works price of the product.

When two or more countries are involved in the production of a good, the origin of the good must be determined in accordance with Article 24 of Council Regulation No 2913/92 (CC)⁴³. However, for certain leather products, Annex 11 of the IPC gives specific processes that must be fulfilled in order to obtain the non-preferential origin. This annex must be read in combination with Annex 9 of the IPC describing how to apply the rules of Annex 11. The rule of thumb is the change of tariff subheading (type 1 criterion).

As part of the WTO Uruguay Round of multilateral trade negotiations, it was agreed between WTO members to harmonise the non-preferential rules of origin. For that purpose, the Agreement on Rules of Origin of Marrakech (1994) established a work programme (HWP). In the negotiations under the HWP for each subheading in the harmonised system of the WCO, a rule has to be established that reflects the last substantial transformation carried out on the non-originating materials. If this rule is fulfilled, the product obtained will acquire the non-preferential origin. If the rule is not fulfilled, general residual rules or residual rules per chapter or heading allow the origin of a product to be determined.

Recently, the US labelling system for beef and pork, COOL, has been found to be inconsistent with WTO trade obligations⁴⁴. The US COOL measure forced the livestock industry in Canada and other countries that trade with the US to go through a lengthy labelling and tracking system with an unnecessary paperwork burden and additional red tape. This and other recent cases⁴⁵ before the WTO dispute settlement authority, the Appellate Body, indicate that origin labelling systems should be carefully designed in order not to impose unreasonable burdens on economic operators from other countries.

⁴¹ The following draws on information available on the WTO website: http://www.wto.org/english/tratop_e/roi_e/roi_info_e.htm

⁴² The Harmonized System (HS) nomenclature developed by the WCO entered into force on 1 January 1988 through a Convention. Although Article II of the GATT (Schedules of Concessions) does not establish a specific nomenclature to be used by Members in this respect, and despite the fact that other nomenclatures such as the BTN and CCCN were used in the past, the HS has become the de facto standard for Members in this respect

⁴³ Article 24 CC states: 'Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture'

For textiles and textile articles of Section XI of the Combined Nomenclature (CN), the general rule is that the working or processing carried out on the non-originating materials must result in a classification under another heading of the CN for the products obtained. This rule is known as 'Change of Tariff Heading' (CTH) (Art. 37 IPC).

⁴⁴ http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds384_e.htm#bkmk384r

⁴⁵ *US – Clove Cigarettes* (DS 406 – AB report of 4 April 2012), *US – Tuna II (Mexico)* (DS 381 – AB report of 16 May 2012) and *US – COOL* (DS 384, DS 386 – AB reports of 29 June 2012).

2005 country of origin proposal

As this study covers country of origin labelling, it is important to take into account previous European initiatives in this area. Following two years of consultation, the Commission tabled a draft regulation in 2005 proposing mandatory origin labelling in a number of product categories, including leather. The arguments behind the proposal focused on consumer information, ensuring transparency and establishing a level playing field with respect to the EU's major trading partners, many of whom already have legislation in place⁴⁶. However, differences of views across Member States meant that the issue was held by the European Council for a number of years. With the adoption of the Lisbon Treaty, the proposal was discussed in the European Parliament. The first reading was concluded in October 2010 when a significant majority voted in favour of the proposal.

The definition of 'origin' would follow the principles applied in Customs, i.e. that 'Goods have their origin where they are wholly obtained or where they underwent the last substantial transformation'⁴⁷. This definition is intended to result in minimal administrative burden on authorities and economic operators, while also ensuring compliance with international obligations under the WTO framework.

There appears to be a trend in other sectors towards expanding the scope of the labelling requirement to more products. There is, however, a distinction between agricultural and industrial products. In the area of agricultural and food products, origin labelling requirements have already been in place for certain meat products and, in June 2011, the adoption of Regulation (EU) No 1169/2011 opened the way for an extension of their scope to other food⁴⁸. In addition to such origin labelling, there is also legislation aimed at protecting geographical indicators and designations of product origin. The legislative framework for the labelling of industrial products, and leather products should be considered to be such, is less extensive, although there have been a number of recent initiatives in this area. Fields of product labelling that have been reviewed recently include the mandatory labelling of the country of origin for imported cosmetic products (Regulation (EC) No 1223/2009).

As far as cosmetic products are concerned, the labelling of the ingredient list was introduced in 1993, and the specific labelling of fragrance allergens was introduced in 2003 through subsequent amendments to Directive 76/768/EEC.

⁴⁶ European Commission Directorate-General for Trade. 2006. *'made-in' – an EU origin marking scheme, parameters and prospects*, Brussels.

⁴⁷ European Commission Directorate-General for Trade. 2006. *'made-in' – an EU origin marking scheme, parameters and prospects*, Brussels.

⁴⁸ Article 26 of Regulation (EU) No 1169/2011 of the European Parliament and Council of 25 October 2011, on the provision of food information to consumers, OJ L 304/18.

3.3.2 National labelling systems

Table 3 outlines the national labelling systems concerning leather products.

Table 3: Countries with specific labelling provisions for leather products

Country	Law	Context
Austria	BGB1. No 407/1986	Labels must identify the nature and care of leather and fur clothes. The legislation does <u>not</u> concern leather to produce gloves, hats, ties and braces, and it only refers to those hides and skins with the original fibrous structure maintained. Leather label must include: name and type of leather skin or fur, processing mode and name of importer in the case of imported goods. The care information must include: suitability for professional cleaning and cleaning methods, type of tanning process.
Belgium	Decree of 17 January 1983	The 1983 Decree regulates the names of leather and raw hide products.
France	Decree 2010-29 of 8 January 2010 Order of 8 February 2010	The Decree 2010-29 of 8 January 2010 regulates the name of leather products. The required information differs in terms of sale purposes and type of leather.
Italy	Law No. 1112 of 16 December 1966	The Law regulates the name of leather products.
Lithuania	Order No. 170 of 15 May 2002	Requires specifically clothing of leather and fur to carry care and size labels.
Spain	Royal Decree 165/1988 Royal Decree 769/1984 Order of 15 February 1990	Royal Decree 165/1988 amending Royal Decree 769/1984 regulates the name of leather products, tanned leather and fur during the phases of preparation, circulation and trade. The label must contain information in the Spanish language on the composition of the product, origin of leather, name of fabricants. Order of 15 February 1990 establishes regulations for informative labelling of gloves.

Source: This list has been cross-checked with information from the European Association of Tanners (COTANCE)

Leather authenticity is protected by law in only a selection of Member States. This could mean that the introduction of an EU-wide leather label could have a substantial impact in the Member States where no such labelling exists. An important part of the case studies will be to map similarities and differences between the current national frameworks. If national laws are diverging and contradictory, the need for action at a European level will be greater. If, on the other hand, national standards are largely similar, a potential EU intervention should take that into account.

In addition to the leather-specific provisions listed above, there are also general legal provisions applicable to leather products.

3.3.3 International standards and voluntary labelling systems

In addition to mandatory national systems, there is also a range of voluntary standards and labelling systems.

The European Committee for Standardisation (CEN) and the International Organisation of Standardisation (ISO)

CEN was officially created as an international non-profit association based in Brussels on 30 October 1975. CEN is a business facilitator in Europe, removing trade barriers for European industry and consumers. Its mission is to foster the European economy in global trading, the welfare of European citizens and the environment. Through its services, it provides a platform for the development of European Standards and other technical specifications. CEN is a major provider of European Standards and technical specifications. It is the only recognised European organisation according to Directive 98/34/EC for the planning, drafting and adoption of European Standards in all areas of economic activity with the exception of electro technology (CENELEC) and telecommunication (ETSI).

These standards have a unique status as they are also national standards in each of the 33 Member countries. With one common standard in all these countries and every conflicting national standard withdrawn, a product can reach a far wider market with much lower development and testing costs. More than 60 000 technical experts as well as business federations, consumer and other societal interest organisations are involved in the CEN network which reaches over 480 million people.

The Vienna Agreement • signed by CEN in 1991 with ISO (International Organisation for Standardisation), its international counterpart • ensures technical cooperation by correspondence, mutual representation at meetings and coordination meetings and adoption of the same text, as both an ISO Standard and a European Standard.

ISO was formed in 1846 and is the global equivalent of CEN. Today, it has members from 164 countries and 3 335 technical bodies to take care of standard development. More than 150 people work full time for ISO's Central Secretariat in Geneva, Switzerland.

Standards and voluntary systems applicable to leather

As voluntary schemes are often widely used in selected markets, they should be taken into account in the development of policy options.

Table 4: Non-exhaustive list of European voluntary standards and labelling schemes within leather

Geographic coverage	Voluntary standard for leather	Environmental label
International		'The leather working group' – a private association of large corporations, which rates tanneries based on environmental audits in tanneries ⁴⁹
Europe	Initiatives within the CEN '(WI 00289136) Leather – Terminology – Key definitions for the leather trade (FprEN 15987:2010)' 'Leather – Test method for the identification of leather (New Work Item)'	EU Ecolabel (Regulation (EC) 66/2010) (currently for footwear only; criteria for leather foreseen to be developed by end 2013)
Nordic countries		Nordic Swan, provisions for leather but equated with textile products, so very difficult for leather producers to comply. New leather-specific provisions might be under way
Germany	RAL – Deutsches Institut für Gütesicherung und Kennzeichnung 'Abgrenzung des Begriffes Leder gegen über anderen Materialien – Bezeichnungsvorschriften' (RAL 062 A2)	German Blue Angel
United Kingdom	The UK Standards Institute BS 2780:1983 N.159	UK Leather Confederation (licensed through UKLF) Leathersure, Qualitysure, Consumersure, Metalsure, Ecosure
Portugal		'Vegetable tanning licensed through the Associacao Portuguesa dos Industriais de Curtume'

Source: Case study interviews and Gonzalez-Quijano. 2011. *Is leather losing its identity?* II International Leather Engineering Congress 2011 Innovative Aspects for Leather Industry, 12–13 May 2011, Izmir, Turkey.

The German RAL 062 A2 is a standard developed by the industry. In other words, it does not have the status of law; however, in the absence of laws and regulations, courts tend to use standards, where applicable, to base their ruling in case of conflict between parties⁵⁰. In the UK, the UK Leather Confederation (now licensed by the UK COTANCE member UKLF) holds a legal right to the leathermark developed by the International Tanners' Council (ICT) in the 1970s, which is also used in the European Footwear Directive. Their members are awarded the right to the leather certification label as well as a number of environmental labels provided that

⁴⁹ <http://www.leatherworkinggroup.com/>

⁵⁰ Gonzalez-Quijano. 2011. *Is leather losing its identity?* II International Leather Engineering Congress 2011 Innovative Aspects for Leather Industry, 12–13 May 2011, Izmir, Turkey.

they submit their products to tests for chemical content. The Italian Leather Trade Association similarly holds the leathermark as a 'collective trademark'. With this tool, they are able to enforce the protection of the leather brand through intellectual property rights. Public authorities can be called to act against infringements on the basis of EU Regulation 2003/1383/EC⁵¹ which grants Customs protection, but they can also act ex officio. Collective and certification trademarks can thus be effective instruments for protecting leather from deceptive practices as they can be enforced and allow consumers to recognise the genuine product through a distinctive mark⁵².

The leathermark is of particular interest as it appears to be widely recognised and could provide a potential basis for an EU-wide leather label. Throughout the study, we will try to further explore the use of the leathermark in and outside the EU.

Standardisation for the leather sector is developed through CEN TC 289. The committee was created in 1998 and, since then, it has published about 48 European Standards (most of them in collaboration with ISO) dealing with physical, mechanical and chemical tests⁵³.

There is a wide variety of environmental labels for leather products. The most important ones, according to the consulted stakeholders, are listed in Table 4. They are described in further detail in the following section.

In conclusion, there are no dominant standards of either environmental or authenticity labelling.

- In the case of authenticity, the development of new standards appears to be moving only slowly.
- In the field of environmental labels, there is a wide variety of labels, often with different focus, as well a continuous development of new schemes.

3.3.4 Functioning of current regulatory framework

This section provides an overview of the stakeholder responses with regard to the current regulatory framework; in particular concerning the new Textile Regulation. Although this is not the focus of the study, it is important to consider the existing framework and its implications for leather products, especially given the fact that any action in the area of labelling of leather products would need to complement and build on the existing legal framework and avoid creating additional legal uncertainty and complexity.

The stakeholders consulted noted a number of issues associated with the existing regulatory framework. In particular, there are concerns regarding Article 12, namely the identification of 'non-textile parts of animal origin' in the new regulation on textile names. The interview responses suggest a general scepticism towards Article 12 in the new regulation. Most of the industry stakeholders believe it will be problematic to comply with, with the UK industry

⁵¹ Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.

⁵² This paragraph is based on Gonzalez-Quijano. 2011. *Is leather losing its identity?*. II International Leather Engineering Congress 2011 Innovative Aspects for Leather Industry, 12–13 May 2011, Izmir, Turkey.

⁵³

<http://www.cen.eu/cen/Sectors/TechnicalCommitteesWorkshops/CENTechnicalCommittees/Pages/TCStruc.aspx?param=6270&title=CEN/TC%20289>

stakeholder being a notable exception. However, there is also consensus that it is still too early to tell how it will work as the Regulation had not yet entered into force at the time of the interview.

Industry stakeholders from Denmark and Germany pointed out that there is no lower limit of what should be labelled, meaning that even a bone button (a commonly used example) will trigger a labelling requirement, which has to carry the exact wording. Secondly, Article 12 does not require non-textile parts to be identified in terms of both the part of garment in question and the nature of the animal products they are made of. The inclusion of the Article 12 wording can, for instance, lead consumers to believe that an artificial fur collar on a garment is authentic, whereas in fact the garment's only non-textile parts of animal origin are the bone buttons. However, it is important to note that these issues are largely hypothetical problems that industry stakeholders expect to encounter, rather than actual experiences, given that consultations took place prior to the entry into force of the Regulation.

Another perceived issue has been voiced by a representative of a major fashion retailer interviewed as part of this study, who noted that complying with the element of the Regulation is likely to be complex, with producers being uncertain about how this labelling should be implemented. Specific issues noted by one of the stakeholders also include the fact that there is no lower limit as to what should be labelled, meaning that, for example, even minor components of clothing need a label stating they are of animal origin (i.e. shoelaces or labels on jeans). In addition, the stakeholder argued that the new Regulation opens the possibility for each individual Member State to request the label concerning non-textile parts of animal origin to be provided in that Member State's language(s), carrying with it substantial costs, which will eventually be passed on to the consumer. Such costs are likely to constitute a higher proportion of sales for smaller businesses. One would, however, also expect that costs would be lower on account of the fewer markets in which smaller businesses operate and the lower number of units sold.

3.4 Key issues related to specific labels: industry and public authorities

This section outlines the results of the consultation with two of the three main stakeholder groups (industry associations and public authorities) carried out during Member State case studies. Input from the third stakeholder group (consumer organisations) is discussed in the following section. Engagement by consumer associations in the fieldwork was more limited and, therefore, in order to ensure that consumer views are appropriately considered alongside the more extensive input from industry and public authorities, they should be considered separately.

The consultation focused on views regarding specific forms of labelling. The subsections below therefore reflect the four main consultation questions:

- what is the current situation?
- what are the problems with the current situation?
- what actions can be taken/are feasible at a European level?
- what are the costs and benefits of such actions?

3.4.1 Country of origin information

This section outlines the interim case study interview findings with regard to the country of origin labelling.

Current situation

Table 5: Existing legal sources regarding country of origin

Existing legislation	Key paragraphs
Existing EU legislation (see Section 3.3.1 for details)	<p><u>General Product Safety Directive (2001/95/EC)</u> <i>Article 5.2 – Establishes that '[distributors] shall participate in monitoring the safety of products placed on the market, especially by ... providing the (commercial) documentation necessary for tracing the origin of products ...'</i></p>
	<p><u>Unfair Commercial Practices Directive (EC/2005/29)</u> <i>Article 6 – Misleading actions</i> (b) The main characteristics of the product, such as [...] geographical or commercial origin [...];</p>
	<p><u>Community Customs Code (EEC/2454/93)</u> Title IV – Origin of Goods, Chapter 1, Non-preferential origin Section 1 – Working or processing conferring origin</p>
WCO/WTO	<p><u>World Customs Organisation and World Trade Association: General Agreement on Tariffs and Trade 1994</u> Article IX: Marks of Origin⁵⁴</p>
Legislation of EU main	<p><u>USA (Mandatory)</u>⁵⁵: Qualified Origin Marking System The main principle in determining if a product⁵⁶ is 'made in the USA' is that 'all or</p>

⁵⁴ The article states '1. Each contracting party shall accord to the products of the territories of other contracting parties treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country'.

The WTO Committee on Rules of Origin (CRO) and the WCO Technical Committee on Rules of Origin (TCRO) are the two bodies responsible for the full development of this Agreement. In 1999, the TCRO concluded the technical review of the Harmonised Rules of Origin and these final results were forwarded to the CRO in Geneva for consideration. In 2006, these results are still under consideration by the WTO.

⁵⁵ The Textile Product Identification Act: <http://www.ftc.gov/os/statutes/textile/rr-textil.htm#303.33>

trading partners	<p>virtually all' processes must have taken place in the US. This includes:</p> <ul style="list-style-type: none"> • site of final assembly must be American • a strict value added test • producer must have consulted subcontractors about origin of subcomponents <p>In addition to this, a qualified origin is warranted if parts of the processing happened outside the US (e.g. made in the USA from imported leather).</p> <p>Products produced entirely outside the American territory⁵⁷ must carry an origin label on the basis of the last 'substantial transformation'. A substantial transformation is a manufacturing or other process that results in a new and different article of commerce, having a new name, character and use that is different from that which existed prior to the processing. Country-of-origin determinations using the substantial transformation test are made on a case-by-case basis through administrative determinations by the Customs Service.</p> <p><u>Australia (Voluntary)⁵⁸: Dual Origin Marking System</u></p> <p>The 'Made in Australia' 'safe harbour' has two components:</p> <ul style="list-style-type: none"> • the goods must have been substantially transformed in the country claimed to be the origin; • 50% or more of the costs of production must have been carried out in that country. <p>The 'Product of Australia' 'safe harbour' has two rigorous criteria which must be met:</p> <ul style="list-style-type: none"> • the country of the claim must be the country of origin of each significant component of the goods; • all, or virtually all, processes involved in the production or manufacture must have happened in that country.
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In none of the case study Member States⁵⁹ apart from Greece are there legal requirements to label the country of origin of leather products. In Greece, only leather products at the retail stage fabricated outside the EU are required to carry origin labelling⁶⁰. However, as one UK stakeholder noted, there are provisions preventing the misleading use of country of origin labels in the transposition of the Unfair Commercial Practices Directive. The stakeholder also noted that producers and retailers do sometimes choose to add the country of origin to the label. One Swedish industry stakeholder noted that Swedish industry would often use the label 'Scandinavian leather' to communicate the quality of the leather products. This stakeholder is, however, not aware of any abuse of this appellation by non-Scandinavian producers. In France, there is a private, voluntary scheme called 'Origine France Garantie' issued by a private group called Pro France. It was initiated only in 2011 and has enjoyed very limited uptake so far.

⁵⁶ The Federal Trade Commission regulates the use of the 'made in the USA' label.

⁵⁷ These are primarily regulated by the US Customs Service (the Tariff Act of 1930), Specifically, Section 304 of the Tariff Act, 19 U.S.C. § 1304, administered by the Secretary of the Treasury and the Customs Service.

⁵⁸ The above text is taken from the 2002 guidelines: *Country of Origin guide for textiles, clothing and footwear industries* <http://www.accc.gov.au/content/index.phtml/itemId/87951/fromItemId/622023>

The legal basis, however, comes from the: 'Trade Practices Act 1974 Act No 51 of 1974 as amended' Division 1AA – Country of origin representations Subdivision A – General. It refers to all goods.

⁵⁹ Germany, Greece, Spain, France, Hungary, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania, Sweden and the United Kingdom.

⁶⁰ Article 39 of the Codified Market Order.

In Italy, Law n. 55 of 8 April 2010⁶¹, on provisions concerning the marketing of textile products, leather and footwear, known as the 'Reguzzoni-Versace-Calearo Law', was scheduled to enter into force on 1 October 2010. In September 2010, an inter-ministerial decree that would lay out the details of the implementation of the law⁶² had still not been adopted. The text of the law has been contested by the EU on many grounds. Moreover, the time limit to notify the text to the European Commission was not respected. The Italian Customs Agency (*Agenzia delle Dogane*) issued the Circular Prot. 119919/RU on 22 September 2010, clarifying that the law would not take effect because the necessary implementing decree was not adopted.

Problems with the current situation

A Portuguese stakeholder, advocating a mandatory system, stated that the lack of a country of origin system applying to all producers, and especially importers, makes it more difficult for Portuguese products to compete, as the consumer does not know whether leather has been produced in Portugal or not. This view was shared with the Lithuanian and Dutch industry stakeholders, who both believed that country of origin labelling would put European producers on an equal footing with their foreign competitors.

The Swedish and UK stakeholders were not familiar with any conflicting standards and argued that consumer interest was generally limited. Besides, the Community Customs Code already provides for a common definition. In addition, they argue that actual enforcement of mandatory rules could potentially constitute a significant cost.

Broader arguments relating to country of origin labelling are also of relevance to leather products. A representative of a large international retail chain consulted during an earlier stage of the study sees the fact that most of Europe's major trading partners (China, India, USA, Australia and Canada) already have a country of origin labelling scheme in place⁶³, whereas the EU as a whole does not, to be a competitive disadvantage for enterprises in the EU. Similarly, there are also indications that a country of origin labelling system could be beneficial to some enterprises. In particular:

- luxury brands may welcome a country of origin label, as they assert that it would protect them from counterfeiting⁶⁴; and
- importers who are interested in ensuring the origin of products imported into the EU could also benefit from a country of origin label⁶⁵.

However, it is important to note that establishing country of origin is a complex process. Skins and hides can originate from a different country from where they are tanned and assembled into a final product. Although this complexity could be an argument against introducing a country of origin label, a Portuguese industry stakeholder noted that, in fact, it would mean that more comprehensive traceability labelling would be needed to identify the origin of skins and hides, as well as the place of tanning and finishing.

⁶¹ The text of the law can be found here: <http://www.altalex.com/index.php?idnot=48495>

⁶² Reference to the non-implementation of the law can be found here: <http://pieronuciari.it/2010/11/04/sospesa-l%E2%80%99efficacia-della-nuova-legge-sul-made-in-italy/>

⁶³ European Parliament, Directorate General for Internal Policies. January 2010. *Study on Labelling of Textile Products*, Brussels.

⁶⁴ Simon Bennett. 2011. *Country of origin labelling*, available at: http://www.fashionlaw.co.uk/site/fashion_focus/country_of_origin_labelling.html

⁶⁵ AEDT et al. 2008. *Joint Statement on Proposed Reform of EU Preferential Rules of Origin: European Trade and Industry oppose Origin Certification by Pre-Registered Exporters*, Brussels.

Desk research has also pointed to other arguments against the use of 'made in' labels, such as the fact that such a label could create an artificial link between origin and quality or safety of a given product, whereas this should otherwise be the role of the brand⁶⁶. In addition, country of origin labelling is also seen by some industry stakeholders as an additional barrier to trade and thus a form of protectionism⁶⁷.

European-level actions

Stakeholders were divided on the potential actions that could be taken in the area of country of origin labelling. Just under half the stakeholders, including both public authority and industry representatives, believed that there should be a mandatory EU-level standard or system for country of origin labelling, whereas the other stakeholders stated that no system should be introduced or that a voluntary system would be more appropriate. The general view was that:

- it is difficult to determine origin;
- it would not benefit the consumers;
- country of origin labelling should not substitute for producers' own brand; and
- a mandatory system would be difficult to agree on.

Costs and benefits

According to the Italian leather stakeholder, costs would be very low. However, most of the other stakeholders consulted could not provide substantial information regarding the potential costs and benefits of an EU-wide system for country of origin labelling of leather products. There is some agreement that there would be costs to businesses of labelling, although one Portuguese industry stakeholder noted that these are likely to be lower than the costs of monitoring. This was confirmed by a German public authority stakeholder who noted that no steps have been taken in this area, partly because of high market surveillance costs.

3.4.2 Traceability and identification of manufacturer

The following sections outline the interview findings with regard to traceability.

Current situation

There are no national systems for traceability labelling of leather products or for the identification of manufacturers, although the interviewed stakeholders did note that traceability labelling is used in some cases. A Portuguese industry stakeholder pointed out that car producers generally aim to ensure that the leather used in their products is traceable, although it is not clear to what extent this traceability is communicated to the consumers. Similarly, a Swedish industry stakeholder noted that Swedish tanners would generally ensure that their products are traceable, as car manufacturers, who are a significant market for leather, are concerned about the ability to trace the production batch of pieces of leather used in a car's interior.

Finally, one UK industry stakeholder stated that, although labelling of traceability is complex, some of the higher-end producers and retailers selling expensive fashion products already

⁶⁶ AEDT. 2011. *AEDT's views on the 'Made in' label*, Brussels: AEDT.

⁶⁷ Eurocommerce. 2009. *'Made in' label: protectionist, bureaucratic and costly*, Brussels: Eurocommerce.

include markings on their products enabling them to trace its origin and demonstrate the product is not counterfeited.

Problems with the current situation

The lack of an EU-wide system of labelling of traceability is generally not considered to be a problem according to the stakeholders, especially considering that where traceability labelling is seen to be of added value, it is already implemented on a voluntary basis by individual producers. One exception is a Portuguese industry stakeholder, who noted that, given the difficulties in establishing the country of origin of leather products, the only way for consumers to understand where the product was made is to introduce traceability labelling that identifies where and by whom individual parts of the production process were conducted.

Finally, it is important to note that there is an initiative of the European Council of Tanners (COTANCE) from July 2011 to explore the opportunities to achieve traceability of raw skins and hides⁶⁸ in collaboration with the European leather trade unions, suggesting that there is sufficient demand for such labelling.

European-level actions

French, Spanish and Portuguese stakeholders saw the need for EU action in the area of traceability labelling. Other stakeholders generally believed that no actions should be taken, mainly because of prohibitively high costs. Although some producers (i.e. car manufacturers) value traceability, stakeholders appear to be satisfied with such labelling functioning on the basis of an agreement between the leather producers and the manufacturers of the final products, or as individual producers' or retailers' voluntary schemes.

Costs and benefits

With regard to costs and benefits of traceability labelling, the interviewees noted that it is generally costly and complex, especially, as one UK industry stakeholder pointed out, as animal, raw hide, partly processed leather, finished leather, leather components and leather products can pass through a large number of companies and countries during the production chain. This also means that labelling would not only be costly, but also that the label would be very complex. On the other hand, the stakeholders note that traceability labelling is still used despite the costs and complexities, especially in the higher end of the market, where it is seen to provide sufficient value to the final product.

As mentioned in Section 3.3.1, recent WTO case law indicates that country of origin systems including requirements for traceability should be carefully designed in order not to impose unreasonable burdens on economic operators from other countries.

⁶⁸ COTANCE. 2011. 'COTANCE and ETUF:TCL kick off an ambitious joint project on transparency of the origin of hides & skins and traceability of raw materials for European tanners', Brussels: Cotance.

3.4.3 Environmental labelling

The following sections outline the interview findings with regard to environmental labelling.

Current situation

The general picture of environmental labelling of leather products is, in the words of a UK stakeholder, 'very patchy'. In addition, according to the Swedish industry stakeholder, there is a plethora of standards and labels.

Of the type I ecolabels⁶⁹, the German Blue Angel appears to be very important, although it addresses only upholstery leather. The focus of the Blue Angel is on the health and environmental impacts of the whole life cycle of the products. It is awarded to products which have

- no adverse effects on human health in the living environment/indoor spaces because the product is low in emissions;
- been tested for chromium VI and preservatives; and
- been manufactured in an environmentally friendly way – especially in terms of water consumption and wastewater criteria⁷⁰.

The Nordic Swan also includes some provisions for leather products but, according to a Swedish stakeholder, these are not very useful as no specific criteria for leather products exist (criteria for textile products apply). This stakeholder, however, believed that new criteria for leather are in the process of being introduced. Finally, at the moment, the EU Ecolabel covers leather products under the heading of footwear products, but criteria for leather are foreseen to be developed in 2013.

Apart from the above, there are a few smaller private labels. In Portugal, for example, the industry has introduced a label for 'vegetable tanning'. This requires the tanner to avoid using chrome in the process. In the UK, there are many test laboratories, which perform screenings for 'restricted substances'. One of these is the BLC Leather Technology Centre. The centre can award labels based on laboratory test results. In Germany, there is also an energy label for leather regarding carbon dioxide emissions (Eco2Leder).

Finally, there is a Leather Working Group comprising some of the most important retailers of leather products including footwear (e.g. Doc Martens, Adidas and Puma), clothing (e.g. Marks and Spencer and H&M) and furniture (e.g. IKEA). This group engages in developing criteria for environmentally friendly tanning, which are backed up by independent audits. Based on these audits, the tanneries are rated gold, silver or bronze⁷¹.

⁶⁹ According to the International Organisation of Standardization (ISO), 'Type I environmental labels' are 'Voluntary, multiple-criteria based third party programmes that award a licence authorizing the use of environmental labels on products. These indicate the overall environmental preferability of a product within a particular product category based on life cycle considerations. These labels provide qualitative environmental information' (ISO 14024: 1).

⁷⁰ http://www.blauer-engel.de/en/products_brands/vergabegrundlage.php?id=198

⁷¹ <http://www.theleathergroup.com/>

Problems with the current situation

Generally, voluntary environmental labelling can be of benefit to businesses. Experience from other sectors such as alimentation and domestic appliances show, for example, that mandatory labelling can have a significant effect on product innovation and adaptation⁷². However, experiences from the UK suggest that environmental labels work best as a driver of innovation, when the targeted consumer group has a high level of awareness and concern for the environment⁷³, which may not always be the case. However, this view is not shared by all stakeholders. A UK consumer association stakeholder agreed that, without private incentives, such as for example a reduced electricity bill, the consumer will not respond. An Italian consumer association, on the other hand, argued that even segments of society not generally concerned about sustainable consumption would be prone to change their purchasing decisions if accessible information about the product was readily available.

The main problem with the current situation according to the interviewees is the fragmentation of standards and labels. According to some of the stakeholders, the difference between existing schemes constitutes a burden on businesses, especially small and medium-sized enterprises (SMEs). According to a Swedish stakeholder, even testing products or responding to queries from clients is a substantial cost to SMEs which do not have the necessary in-house expertise. The German Blue Angel is often required by producers of leather products in Germany, but it is difficult and expensive to obtain. An example of this problem is given by a UK stakeholder, who stated that some UK tanners are in practice obliged to subject their products to tests in German laboratories in order to sell them to certain clients.

European-level actions

The stakeholders were split on the issue of potential EU-level actions. On the one hand, many stakeholders are generally sceptical towards the introduction of anything that is compulsory. The Polish, Swedish and Dutch public authorities are against introducing binding European schemes.

However, the opposite view is also found, particularly among producers. The Swedish and Portuguese industry stakeholders agree that a mandatory single European environmental and social label for leather products would be desirable, although they did not have a view as to what such a label should actually entail. However, one would imagine that such a label will be a rating of environmental performance, rather than a label identifying outstanding examples (as in the case of the EU Ecolabel).

Costs and benefits

There are different ways of ensuring compliance with environmental and social standards and, according to a UK stakeholder, it is important to understand that a comprehensive auditing system adequately covering foreign as well as domestic products very quickly gets prohibitively expensive. Striking the right balance between the level of ambition and the level of cost is therefore crucial. In the environmental field, there are two general ways of monitoring compliance. The first is to submit random samples of leather products to laboratory tests to reveal the use of chemicals and metals. The other is through random audits, which is usually much more expensive.

⁷² Vyt Ellis, Steenhuis, Ingrid H.M., Roodenburg, Annet J.C., Brug, Johannes, Seidell, Jacob C. 2010. Front-of-pack nutrition label stimulates healthier product development: a quantitative analysis'. *International Journal of Behavioural Nutrition and Physical Activity*, Vol. 7: 65.

⁷³ United Kingdom Parliament. January 2004. *Postnote Number 212 'Environmental Policy and Innovation'*, London.

3.4.4 Social labelling

The following sections outline the interview findings with regard to social labelling.

Current situation

In the case of social labelling, the only specific scheme mentioned by the stakeholders was the fair trade label, which covers leather footballs. A major global retailer stated that it is a member of a number of multi-stakeholder initiatives including the Fair Labour Association. Generally, the use of social labels is much less widespread in comparison with environmental certifications. Stakeholders in France and Poland say directly that social labelling is not very popular. There is currently an on-going initiative between COTANCE and the European Trade Union for Textile Clothing and Leather focusing on the traceability of leather products with a view to disclosing the social profile⁷⁴. This course of action is endorsed by the Hungarian public authority. Data from the first social and environmental report collected from seven COTANCE member countries, Italy, Spain, Germany, Romania, UK, Sweden and France, were presented at a conference in Bucharest on 27 September 2012. The final report and data will be finalised and released later in autumn 2012⁷⁵.

Problems with the current situation

The one problem mentioned in relation to current social labelling is the uncertainty about what it really covers and what it should cover. This view is supported by a global clothing retailer, which stresses the lack of agreement between initiatives using different methodologies.

European-level actions

In the field of social labelling, there is less experience and thus less certainty about the appropriate action. A Portuguese government interviewee supports the creation of a European definition, which can help to create clearer guidelines as to what a social label should mean.

Costs and benefits

As in the case of environmental labelling, stakeholders generally believe that mandatory labelling would be very expensive to introduce and enforce.

3.4.5 Authenticity labelling

The following sections outline the interview findings with regard to authenticity labelling.

⁷⁴ <http://etuf-tcl.org/index.php?s=3&rs=home&uid=623&lg=en>

⁷⁵

http://www.leathermag.com/news/fullstory.php/aid/15228/Cotance_announce_European_social_and_environmental_report_results.html

Current situation

Table 6: Existing EU legislation regarding leather authenticity labelling

Existing legislation	Key paragraphs
Existing EU legislation	<p><u>Unfair Commercial Practices Directive (EC/2005/29)</u> <i>Article 6 – Misleading actions</i></p>
Legislation of EU main trading partners	<p><u>USA (Guidelines)⁷⁶: Misleading indications of leather</u> The Federal Trade Commission (FTC) has issued guidance on misleading representations of leather products. The guidance represents administrative interpretations of laws administered by the FTC for the guidance of the public in conducting its affairs in conformity with legal requirements and specifically addresses the application of Section 5 of the FTC Act (15 U.S.C. 45).</p> <p>It provides a high level of detail on what constitutes misrepresentation of the term leather⁷⁷. The guidance from 1996 was recently subject to a review, which led to it being retained in its original form⁷⁸.</p> <p>This could be seen as similar to providing a set of guidelines about leather authenticity in the Unfair Commercial Practices Directive.</p>

The stakeholders noted that there were generally no systems for asserting the authenticity of leather products in the Member States. In Germany, there are labelling requirements from the German Institute for Quality Assurance (RAL) that could be used as a basis for legal action against misleading use of the label. In the UK, the Leathermark has been in place since the 1970s and is still owned by the UK Leather Federation, which can take legal action against businesses using the mark for products that are not made of leather. However, such action tends to be costly and is only used in the most obvious cases. The interviewees also noted legislation preventing the use of misleading markings as a potential instrument for ensuring effective authenticity labelling.

Problems with the current situation

In terms of problems associated with the lack of a leather labelling system, the stakeholders had different views on the impact of the current situation. The Portuguese industry stakeholder noted that the lack of a system for certifying that a product is made of leather makes it difficult to know what a given garment is made of (as the only way of testing it is to burn it). A Polish stakeholder noted that, although consumers have not been very vocal about the lack of a system for labelling leather products, use of terms such as 'synthetic leather' has been viewed as potentially misleading, especially in online retail. A UK industry stakeholder also noted that the lack of protection for leather as a product (especially given that, under the new Regulation, it is required to be labelled as a non-textile part of animal origin) is detrimental for businesses. It is the estimate of the European Association of Tanners, COTANCE, consulted at an earlier point in the study, that up to 15–20% of the products that are sold as leather do not originate from animal skins and hides.

⁷⁶ The Textile Product Identification Act <http://www.ftc.gov/os/statutes/textile/rr-textil.htm#303.33>

⁷⁷ <http://www.ftc.gov/os/statutes/textile/gd-leath.shtml>

⁷⁸ <http://www.ftc.gov/opa/2008/05/leathergds.shtml>

European-level actions

Of the industry and public authority stakeholders interviewed as part of the case studies (i.e. national level stakeholders), the majority believed that an EU action in the area of labelling of leather products would be desirable. Generally, the Footwear Directive was viewed as the potential blueprint for a system of labelling of leather products. A Polish public authority stakeholder believed that the best course of action would be a directive similar to the Footwear Directive with a list of minimum requirements of what labels should be included on leather products, including authenticity labelling. The Portuguese, Swedish and UK industry stakeholders expressed similar positions, generally stressing the importance of protecting the term 'leather'.

The Swedish public authority stakeholder also noted that there is some scope for EU action, but that it should focus on a more common definition of leather aimed at avoiding the misuse of a term, rather than introducing a mandatory leather labelling system.

These findings are broadly in line with those of the EU-level industry representation, COTANCE, which has long pushed for a single unified European label certifying the authenticity of leather⁷⁹ and avoiding misleading labelling stating that non-leather products are made of leather. In particular, these stakeholders believe that it is the 'creative' use of terms such as 'synthetic' or 'artificial' leather that is liable to confuse consumers⁸⁰.

Costs and benefits

The stakeholders were not able to provide much information concerning the costs and benefits of an EU-level system for labelling the authenticity of leather products. One Portuguese respondent noted that the main costs would be the enforcement costs, rather than the costs of labelling.

Generally, the industry stakeholders believed that such a labelling system would be beneficial to the leather industry, although they were generally unable to provide any estimates of the potential benefit.

3.4.6 Animal species labelling

The following sections outline the interview findings with regard to the labelling of animal species.

Current situation

As in the case of authenticity labelling, there are generally no systems for the labelling of animal species from which leather products are made. The UK industry stakeholder notes that the UK implementation of the Unfair Consumer Practices Directive (2005/29/EC) prohibits producers, who do declare what animal their leather products are made, from providing misleading information.

⁷⁹ COTANCE Submission regarding the EU Origin Marking initiative January 2005; and Gonzalez-Quijano. 2011. Is leather losing its identity? *II International Leather Engineering Congress 2011 Innovative Aspects for Leather Industry, 12–13 May 2011, Izmir, Turkey.*

⁸⁰ COTANCE Submission regarding the EU Origin Marking initiative January 2005; and Gonzalez-Quijano. 2011. Is leather losing its identity? *II International Leather Engineering Congress 2011 Innovative Aspects for Leather Industry, 12–13 May 2011, Izmir, Turkey.*

Problems with the current situation

The stakeholders generally did not believe that the current situation is problematic. The UK industry stakeholder noted, for instance, that most people would be aware of the type of leather they are using. However, a Polish public authority stakeholder pointed out that leather originating from different animal species can have different characteristics and hence it could be helpful for this to be communicated to consumers. Finally, a UK public authority stakeholder noted that there may be religious reasons why consumers may want to see products labelled consistently as being leather products and also might be interested in what animal the leather is made from.

European-level actions

Subsequently, most of the stakeholders saw less need for specific EU action in this area than in the case for the authenticity label. Nevertheless, the Polish public authority stakeholder pointed out that animal species labelling could form part of a directive concerning labelling of leather products, but it should not be a mandatory requirement. Similarly, a UK industry stakeholder noted that such a labelling system could be introduced, but only on voluntary basis. Only a Portuguese stakeholder believed that a mandatory label could be useful as a means of demonstrating that leather does not come from endangered species.

Costs and benefits

The stakeholders were not able to provide much information concerning the costs and benefits of animal species labelling, although a UK industry stakeholder noted that such labelling would most likely be costly on account of the complex supply chain for leather products.

3.5 Key issues related to specific labels: consumer organisations

The consumer input into the study was limited. Many of the contacted consumer organisations did not respond to the consultation, in some cases citing lack of expertise in the area. Nevertheless, it is important to take input from consumer organisations into account and ensure it can be viewed alongside the input from industry and public authority stakeholders in order for the problem definition to be balanced. For the problem definition section, engagement with consumer organisations was chosen as the best available research tool. Given the complexity of the issue, a qualitative approach was deemed necessary in the first part of the study.

A consumer survey yields the most robust findings once policy options have been developed. So, in the impact analysis section, the consumer survey results are used as the basis for the assessment of the impact on consumers and to cross-check and validate the findings from engagement with the consumer organisations.

Country of origin

Consumer organisations consulted did not have many views concerning country of origin labels. The Greek consumer stakeholder did, however, note that such designation would be helpful, mainly to allow consumers to identify and purchase local products that would have less environmental impact.

Traceability and identification of manufacturer

The Italian and Greek consumer stakeholders expressed strong support for introducing full traceability at EU level. The opposite view was found with the UK stakeholder, who expressed doubts over the utility of this information to the consumer.

Environmental labelling

There is evidence that the demand for information about the environmental impact of consumption goods has been growing consistently across the OECD over the past decades. Specifically, consumers want more information on health, safety, environment and sustainability⁸¹. This is confirmed by a Eurobarometer study, which shows that almost half the respondents (47%) consider environmental labels to be important in relation to purchasing decisions⁸².

Social labelling

Social labels were seen as important for consumers by both the Greek and the Italian stakeholders. According to the latter, these could be very useful to increase consumers' awareness.

Authenticity labelling

The Greek stakeholder called for authenticity labelling. It was the respondent's view that valid information was particularly needed when buying expensive and large items such as leather sofas.

Animal species labelling

Animal species labelling was not pointed out as a concern by any of the consumer organisations interviewed.

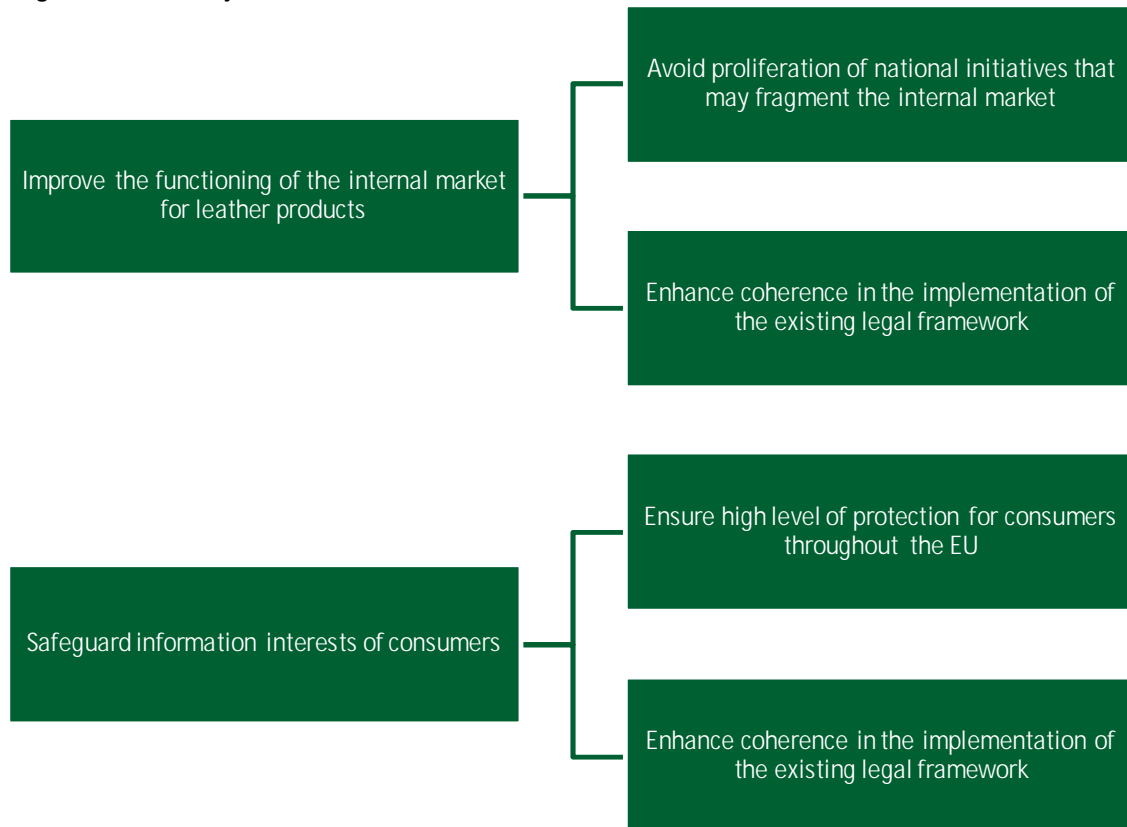
⁸¹ European Parliament, Directorate General for Internal Policies, January 2010. *Study on Labelling of Textile Products*, Brussels.

⁸² European Commission. *Eurobarometer Flash (2009) Europeans' attitudes towards sustainable production and consumption*.

4.0 Policy objectives

In order to develop specific policy options to address the problems outlined in the previous section, it is important to first identify the policy objectives. These include the general, specific and operational objectives. Figure 4 outlines the general objectives, as identified by the European Commission.

Figure 4: General objectives



In addition to the general objectives, in developing policy options, it will also be important to develop specific and operational objectives corresponding to specific actions. As far as possible at this stage, it is important to ensure that these objectives are SMART (specific, measurable, achievable, realistic, time-dependent). Preliminary specific objectives in individual areas are outlined in Section 5.3 alongside the policy options.

5.0 Policy options

The policy option development needs primarily to be informed by the following:

- policy objectives and EU competence in the area; and
- problem definition and other considerations, such as ensuring that solutions are practical, future proof and that there is sufficient consensus around them.

The previous section outlined the main policy objectives, whereas the stakeholder consultation, the results of which are outlined in Section 3, focused on answering the following four questions:

- what is the current situation?
- what are the problems with the current situation?
- what actions can be taken/are feasible at a European level?
- what are the costs and benefits of such actions?

The following section synthesises the results of the consultation for each label/issue, focusing in particular on the perceived problems in each area and the added value of EU-level action.

5.1 Synthesis of stakeholder consultation

As the study examines different types of labelling that can be applied to leather products, one of the first steps in developing policy options is to identify the types of labelling corresponding to areas where stakeholders experience problems and where the stakeholders see scope for action at EU level.

One method of doing so is to determine which areas are ones with the most stakeholder consensus regarding the extent of problem and the possibility for EU action. One can distinguish here between two types of consensus:

- consensus regarding the *existence* of a problem or of an EU-level solution for addressing the problem; and
- consensus regarding the *nature* or *extent* of the problem and the *nature* of the solution.

Both forms of consensus need to be taken into account when developing policy options. However, whereas stakeholder views regarding the existence of a problem or a solution can be easily coded, differences between different areas in deciding on objective criteria for what constitutes a major or a minor problem is more difficult. Similarly, due to the range of different actions proposed in different areas, an effective coding of the nature of the solution (such as along a 'soft/hard' dimension) is also problematic. Therefore, whereas consensus regarding the existence of a problem and the solution is summarised in Figure 5, the synthesis of the nature or extent of the problem in an individual area is discussed in more detail later in this section.

The interview responses were coded in order to classify each label according to:

- the proportion of stakeholders⁸³ who experienced or perceived problems in that specific area; and
- the proportion of stakeholders⁸⁴ who believed that the EU should take steps in that specific area.

Figure 5 presents such a classification of the types of labelling examined in this study. As the input from consumer organisations was much more limited and less balanced across Member States, this input is not reflected in the figure, but is discussed later in this section.

Figure 5: Extent of the problem and EU added value for specific labels

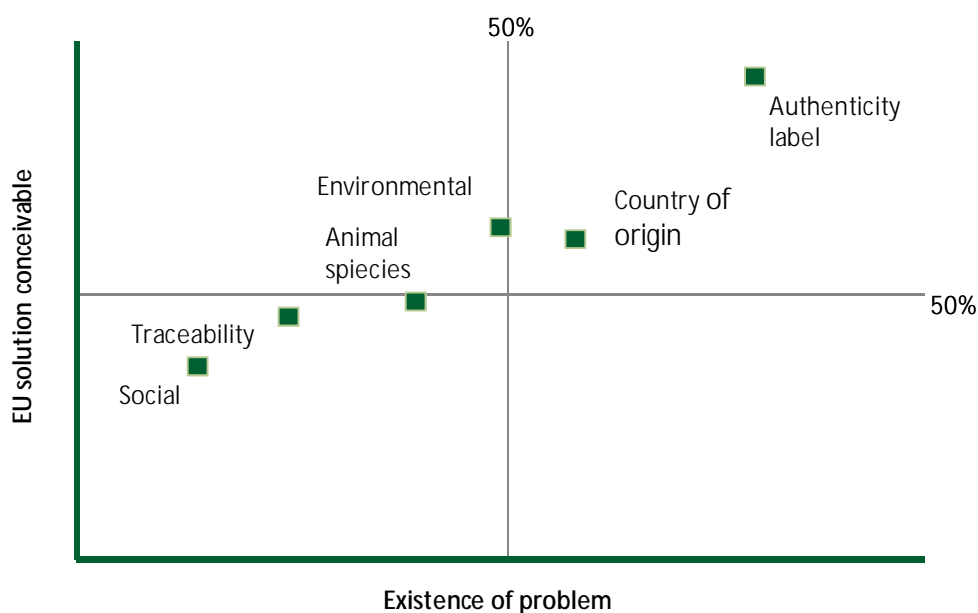


Figure 5 orders the types of labelling according to the two dimensions discussed above to better illustrate their relative importance. The horizontal axis represents the percentage of stakeholders who saw a problem with the current framework ('problem' dimension). The vertical axis illustrates the percentage of the respondents who call for EU action in the field ('solution' dimension).

The figure is based on interviews with industry stakeholders and public authorities from a sample of 13 EU Member States. For Member States with responses from more than one industry stakeholder, their answers were combined into a single one to ensure balanced Member State representation. The response rate was high among public authorities, with only the input from Romania and Italy missing. On the industry side, stakeholders from five countries did not reply: Germany, Italy, Greece, Romania and Lithuania. A sensitivity test was performed by including in the analysis the hypothetical answers from the missing respondents. Assuming

⁸³ Proportion meaning the proportion of stakeholders interviewed who were knowledgeable about this topic and in a position to answer the interview questions.

⁸⁴ Proportion meaning the proportion of stakeholders interviewed who were knowledgeable about this topic and in a position to answer the interview questions.

that missing responses would be either all 'positive' (perceived problem and EU solution) or all 'negative' (no perceived problem and EU solution) did not significantly change the above result. Stakeholders who have not expressed their opinion about a particular issue have not been included in the calculation.

All the issues are found in two opposite quadrants. The three issues that are not particularly problematic and where EU action does not provide added value are found in the bottom left quadrant. **Traceability** is seen by most stakeholders as prohibitively expensive. Information about **animal species** could have some relevance to religious consumers. However, it is generally not very difficult to tell the difference between swine leather and cattle leather. So such labelling would probably only be relevant to more exotic types of skins such as snake and alligator. **Social labelling** is only considered feasible or problematic by very few stakeholders.

The remaining three issues are placed in the upper right quadrant. The authenticity label stands out as the one which, according to the stakeholders consulted, would best address the perceived problems. It is also seen as a field where EU could take concrete action. In this case, this could mean introducing a labelling system protecting the term 'leather'. There was widespread support for the position of COTANCE, which includes a composition labelling requirement for leather. The footwear directive from 1993 is repeatedly mentioned as a good blueprint for a directive on leather.

Other areas that find broad support include environmental labelling and **country of origin** labelling. This is not surprising as the country of origin label is often seen as linked to the question of authenticity. Many stakeholders feel that origin designation could provide them with a competitive advantage. However, it is still close to half the stakeholders who do not see the current framework as problematic or needing any conceivable EU action.

Environmental labelling is considered to be an important and solvable problem. This issue is, however, very close to the centre of the chart, which indicates a certain amount of controversy. It is often noted by stakeholders that the EU Ecolabel could include leather products besides footwear.

Finally, the above analysis does not include **social labelling** because very few stakeholders had specific views on social labelling separate from environmental labelling.

Consumers

The response rate from consumer organisations is very low, which is why the consumer views could not be included in Figure 5. The consumer respondents included Greece, the UK and Italy. The Greek and Italian stakeholders expressed interest in all the labelling types and in particular country of origin. They were in favour of introducing mandatory full traceability at European level, ensuring the same standards. Social and environmental labels were also considered important.

The UK stakeholder took a very different approach and questioned the usefulness of the information contained in a country of origin label. As for social and environmental labels, the UK stakeholder agreed that the current situation is not optimal mainly because of the many unsubstantiated claims made by producers and retailers. According to this stakeholder, the priority should be to work to eliminate this problem. The Italian and UK stakeholders agreed that

any initiative should have a well-resourced information campaign to ensure that the consumer will actually understand and benefit from it. Too often European initiatives fail in ensuring this.

Geography

No clear geographical trends can be identified from the stakeholder consultations. Where there is disagreement on some issues, the divisions do not follow a clear geographic pattern. The clearest divergence is that between industry and other stakeholders, with industry stakeholders across most Member States expressing opinions broadly in line with the position represented by COTANCE at the European level, particularly regarding the need for a leather authenticity label.

5.2 Policy option development process

The process of developing the policy options was based around the policy option workshop. The workshop participants included European Commission staff, Matrix Insight and a legal expert. The purpose of the workshop was to develop a set of policy options informed in particular by:

- a list of policy objectives developed by the European Commission;
- a synthesis of problem definition stakeholder consultation (described above); and
- a list of potential actions put forward by consulted stakeholders.

The output of the workshop was a shortlist of potential policy options. This means that specific new actions are only proposed for some areas, whereas in others the only option put forward is the status quo option. This is because either, in these specific areas, traceability and identification of manufacturer, there is little evidence of a clear problem to be addressed or European action would not be feasible or desirable. In areas where potential actions can be proposed, the status quo option is retained to allow for comparison of impacts.

In selecting the policy options, particular attention was paid to existing legislation and how it can be used to inform the policy options. For instance, the Unfair Commercial Practices Directive was used as a basis for some of the policy options proposed.

The shortlisted policy options together with the specific rationale for proposing them, as well as the rationale for retaining the status quo option, are presented in Table 7, alongside the policy objectives.

5.3 Policy options

This section outlines the policy objectives and policy options together with the rationale for action.

Table 7: Policy options

Specific objectives	Policy options	Rationale
Origin information		
<p>Competitiveness of EU industry</p> <ul style="list-style-type: none"> Enhance competitiveness of EU enterprises, especially SMEs, by a uniform, single system of origin marking <p>Consumer information</p> <ul style="list-style-type: none"> Enable consumers to be aware of the origin of the products purchased, enable them to weight it when making purchasing decisions 	<ul style="list-style-type: none"> Status quo 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Stakeholder consultation does not suggest there is strong demand for a mandatory country of origin label Disagreement over the 2005 Commission proposal suggests that it would be difficult to reach agreement on a mandatory scheme Recent WTO case law indicates certain risk related to introducing labelling requirements in with regard to international trade
	<ul style="list-style-type: none"> Voluntary origin information system 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Country of origin information can be a burden to enterprises Country of origin is also a vehicle to convey information to consumers on product safety <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> Stakeholder consultation does not suggest there is strong demand for a mandatory country of origin label An EU harmonised country of origin information system, based on requirements to place safe products of known origin (or easy to determine) on the market, would have a positive impact on the reduction of costs for both economic operators and consumers
Traceability		
<p>Consumer information</p> <ul style="list-style-type: none"> Ensure high level of protection and information for consumers throughout the EU 	<ul style="list-style-type: none"> Status quo 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Limited demand for traceability labelling among stakeholders General consensus that providing such information on a label is complex and costly Traceability already used in some industries (car manufacturing, high-end fashion), although it is not always consumer focused
Identification of the manufacturer		

Specific objectives	Policy options	Rationale
<p>Consumer information</p> <ul style="list-style-type: none"> Ensure a high level of protection and information for consumers throughout the EU 	<ul style="list-style-type: none"> Status quo 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Limited demand among stakeholders for identification of manufacturer on labels General consensus that providing such information on a label is of limited use for consumers as this type of information is usually included in commercial documents
Authenticity labelling		
<p>Internal market</p> <ul style="list-style-type: none"> Ensure that the products circulating in the EU market are properly labelled and the denomination 'leather' used only on products which are made of leather <p>Competitiveness of EU industry</p> <ul style="list-style-type: none"> Enhance the competitiveness of the leather industry, applying uniform requirements though the whole EU <p>Consumer protection</p> <ul style="list-style-type: none"> Ensure that consumers are aware that they are purchasing products made of leather or made of other materials Increase consumer information available 	<ul style="list-style-type: none"> Status quo 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> A leather labelling scheme could have cost implications
	<ul style="list-style-type: none"> Introduction of legislation establishing a voluntary leather labelling system 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Industry stakeholders express a strong interest in a legal framework protecting the term leather Little opposition to a leather labelling scheme <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> Stakeholders repeatedly refer to the footwear legislation as a useful starting point Little opposition among stakeholders to a leather labelling scheme Voluntary labelling systems are likely to be easier to implement and would entail lower costs for the industry as a whole
	<ul style="list-style-type: none"> Introduction of legislation establishing a mandatory leather labelling system 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Industry stakeholders express a strong interest in a legal framework protecting the term leather Little opposition to a leather labelling scheme <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> Stakeholders repeatedly refer to the footwear legislation as a useful starting point Little opposition among stakeholders to a leather labelling scheme

Specific objectives	Policy options	Rationale
	<ul style="list-style-type: none"> Provide guidance on tackling unsubstantiated authenticity claims using the Unfair Commercial Practices Directive based on existing good practices 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Industry stakeholders express a strong interest in a legal framework protecting the term 'leather' Little opposition to a leather labelling scheme <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> The Unfair Commercial Practices Directive constitutes a framework which is in place and does regulate misleading claims
Animal species		
<p>Consumer information</p> <ul style="list-style-type: none"> Increase consumer information available 	<ul style="list-style-type: none"> Status quo 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Less clear stakeholder demand for an animal species labelling scheme
	<ul style="list-style-type: none"> Introduce a voluntary system for animal species labelling in leather labelling legislation 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Some arguments for animal species labelling (consumer information with regard to exotic animals, religion) <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> No evidence that costs of animal species labelling are particularly high Voluntary labelling systems are likely to be easier to implement and would entail lower costs for the industry as a whole
	<ul style="list-style-type: none"> Introduce a mandatory system for animal species labelling in leather labelling legislation 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Some arguments for animal species labelling (consumer information with regard to exotic animals, religion) <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> No evidence that costs of animal species labelling are particularly high
Unsubstantiated environmental claims		
<p>Competitiveness of EU industry</p> <ul style="list-style-type: none"> Enhance competitiveness of EU enterprises, especially SMEs, 	<ul style="list-style-type: none"> Status quo 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> There is more limited stakeholder interest in the environmental labelling of leather products than in authenticity labelling

Specific objectives	Policy options	Rationale
<p>by a uniform, single system of environmental labelling</p> <p>Consumer information</p> <ul style="list-style-type: none"> • Enable consumers to make purchasing choices based on environmental performance of products 	<ul style="list-style-type: none"> • Provide guidance on tackling unsubstantiated environmental claims using the Unfair Commercial Practices Directive based on existing good practices 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> • Some evidence of increasing consumer interest in environmental labelling • Misleading environmental claims can distort the market and affect consumer confidence in genuine labels <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> • The Unfair Commercial Practices Directive constitutes a framework which is in place and does regulate misleading claims
	<ul style="list-style-type: none"> • Encourage work within CEN in the establishment of industry standards for environmental claims for leather products 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> • Some evidence of increasing consumer interest in environmental labelling • Misleading environmental claims can distort the market and affect consumer confidence in genuine labels <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> • Standards could contribute to the enforcement of the Unfair Commercial Practices Directive
	<ul style="list-style-type: none"> • Include provisions for leather products in the European Ecolabel (on-going work, criteria foreseen to be developed by 2013) 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> • Some evidence of increasing consumer interest in environmental labelling <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> • There are few existing schemes for environmental labelling covering leather • Some stakeholders indicated interest in Ecolabel criteria for leather products beyond footwear
Unsubstantiated social claims		
<ul style="list-style-type: none"> • Possible definition of EU social label for leather or no EU action 	<ul style="list-style-type: none"> • Status quo 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> • There is more limited stakeholder interest in the social labelling of leather products than in authenticity labelling • General principles have been agreed at international level (ILO, UN)

Specific objectives	Policy options	Rationale
	<ul style="list-style-type: none"> Provide guidance on tackling unsubstantiated social claims using the Unfair Commercial Practices Directive based on existing good practices 	<p>Rationale for action/lack of action</p> <ul style="list-style-type: none"> Some evidence of increasing consumer interest in social labelling Misleading social claims can distort the market and affect consumer confidence in genuine labels <p>Rationale for choice of instrument</p> <ul style="list-style-type: none"> The Unfair Commercial Practices Directive constitutes a framework which is in place and does regulate misleading claims

6.0 Impact analysis

The next step in the study is to identify and assess the impacts associated with the proposed policy options. This will help to determine to what extent EU-level intervention in this area is desirable given the problems identified and the policy instruments available at EU level.

This section outlines an assessment of potential impacts associated with action in the following areas:

- country of origin;
- authenticity labelling;
- animal species labelling;
- environmental performance; and
- social conditions.

The impacts to be investigated cover the three broad areas of impacts as set out in the European Commission Impact Assessment Guidelines⁸⁵, namely:

- economic impacts;
- social impacts; and
- environmental impacts.

The impacts to be investigated are structured by stakeholder group:

- Section 6.1
 - Impact on consumers
- Section 6.2
 - Impact on industry
 - Impact on public authorities
 - Impact on environment and wider society.

The separation of the consumers from the other stakeholder groups is done in order to ensure transparency regarding the data sources used. For the purpose of aiding the analysis of the consumer impact, a consumer **panel survey was conducted in seven European Member States** (Germany, Poland, Sweden, France, Italy, Spain and the UK) with approximately 500 participants from each Member State (3 520 respondents in total)⁸⁶. The impact on consumers is structured around the findings from this survey. Where available, these are supplemented by secondary sources. The section regarding industry and public authorities is exclusively based on secondary sources. Given the caveats of the consumer survey mentioned in Section 2.2, the findings have not been applied in the analysis of impacts on businesses by, for example, estimating potential changes in sales of different types of products.

Section 6.3 is based mainly on desk research of existing secondary sources. In the text, it is made very clear when this is complemented by data delivered by industry stakeholders or findings from the consumer survey.

⁸⁵ See http://ec.europa.eu/governance/impact/commission_guidelines/docs/iag_2009_en.pdf

⁸⁶ The survey responses were collected in May 2012. The respondents constitute a representative sample by gender and age groups. An even representation of consumers from all the major regions of the Member States has also been assured.

It is important to note that, in many cases, it has not been possible to provide a sufficiently robust quantitative estimate of impacts, and a more qualitative approach has necessarily been relied upon. In addition, as the study is a feasibility study aiming to inform a potential impact assessment, policy options are more numerous and more broadly defined than they would be at formal impact assessment stage. This in turn means that it is not possible to provide highly accurate impact estimates and, instead, the figures presented in the sections below, where such are available, present illustrative examples of the order of magnitude of potential impacts. For the same reason, the authors have abstained from discounting costs and benefits as this could give the false impression that the impact estimates in this study carry the level of accuracy required for a formal impact assessment. Finally, many of the above impacts are only generated via complex impact chains. As a consequence, evidence collected may suggest impacts contingent on predicted changes in consumer and industry behaviour. However, the risk that these behaviour changes may not materialise means that estimated impacts should be assessed accordingly.

Table 8 sets out the main costs and benefits that the study takes into account (identified based on the work conducted to date), and links them to both the broad types of impacts outlined above as well as the stakeholder groups affected.

Table 8: Impact analysis framework

Stakeholder group/type of impact	Economic impacts	Social impacts	Environmental impacts
Industry	<u>Costs</u> <ul style="list-style-type: none"> Administrative costs Costs of adapting labelling Costs of informing consumers <u>Costs/benefits</u> <ul style="list-style-type: none"> Impact on legal certainty Impact on sales Impact on imports and exports Impact on prices/supply of raw materials 		
Consumers	<u>Costs/benefits</u> <ul style="list-style-type: none"> Impact on consumer prices 	<u>Benefits</u> <ul style="list-style-type: none"> Impact on level of consumer information <u>Costs/benefits</u> <ul style="list-style-type: none"> Impact on quality of leather products 	
Public authorities (including the EU institutions)	<u>Costs</u> <ul style="list-style-type: none"> Costs of development of schemes Costs of informing consumers Monitoring and enforcement costs 		
Other	<u>Costs/benefits</u> <ul style="list-style-type: none"> Impacts on trade with third countries Impacts on EU competitiveness and changing production patterns Impacts on economic development in third countries 	<u>Benefits</u> <ul style="list-style-type: none"> Impact on working conditions in third countries Impact on welfare in the EU 	<u>Benefits</u> <ul style="list-style-type: none"> Environmental impact as a result of changing consumption patterns Environmental impact as a result of changing care practices

The following subsections outline the key impacts associated with the policy options.

6.1 Analysis of options – impact on consumers

The following sections outline survey findings for each type of labelling. The first subsection outlines the results from the survey. The second subsection aims to assess the impacts of the proposed policy options on the basis of the survey findings.

It is important to highlight some limitations regarding the survey result. The correspondence between real world behaviour and the responses of individuals to hypothetical situations will very often not be perfect. This is particularly the case when it comes to questions of willingness to pay⁸⁷. For some of the labels, such as for example country of origin, a rich literature exists regarding conceptual issues. Origin, for example, is not a quality in and of itself but only because it represents something else (quality, support for local community, guarantee of ethical or environmental standards, etc). The literature on measuring the use of labels in general and surrounding particular labelling types has informed the structure of the survey and the interpretation of the results. However, a detailed engagement with the academic debate on these issues has been considered to be outside the scope of this study.

The following sections outline the results of the consumer survey and their implication for the assessment of impact on consumers.

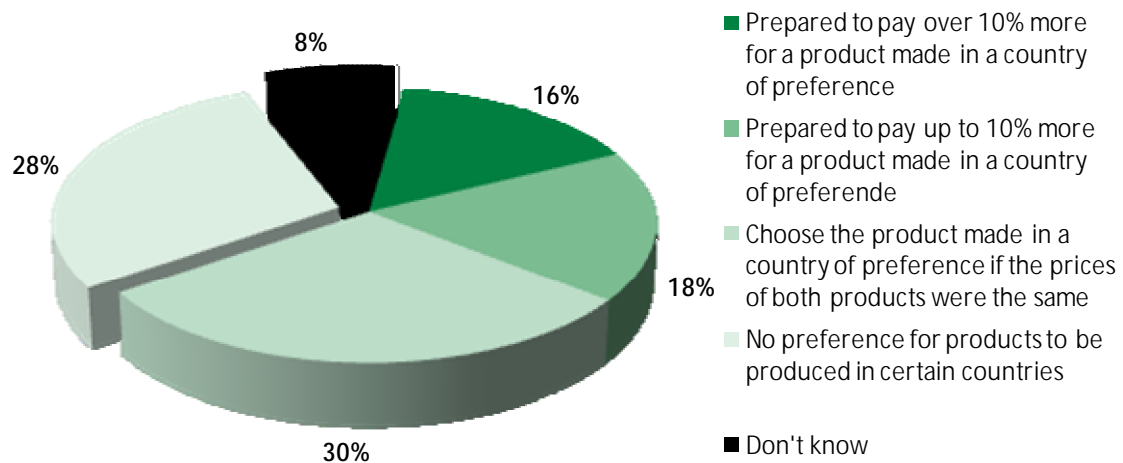
⁸⁷ Generally, experiments are seen to yield much stronger results. For a thorough discussion, see for example: Breidert, Hahsler and Reutterer. 2006. *A review of methods for measuring willingness-to-pay* in 'Innovative Marketing', available at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.68.990&rep=rep1&type=pdf>
Given the cost limitations imposed on the study, the number of different labelling types and the aim of ensuring geographic and demographic representativeness, a survey was the strongest solution.

6.1.1 Country of origin

Results of consumer survey

Figure 6 illustrates the proportion of consumers with a preference for products made in a particular country. The figure indicates that over a third of all consumers are prepared to pay a premium for a product made in a certain country. Little under a third would choose one product over another if it were made in a country of their preference. Finally, 28% of all consumers are indifferent to the country of origin while 8% cannot say.

Figure 6: Consumer preferences concerning country of origin of leather products



This means that information about the country of origin is valuable to some extent to 64% of consumers (this includes respondents stating their willingness to pay over 10%, up to 10% or who would choose a product made in a country of their preference if the price were the same).

Figure 7 shows the reasons for taking origin information into account when shopping. As the findings show, there may not always be a direct relationship between the country of origin label and the way it is interpreted by consumers (i.e. products labelled as produced in certain countries also convey the notion of higher or lower quality than other products). However, for the purpose of this analysis, the assumption is that accurate country of origin information is valuable to consumers, regardless of how they choose to interpret it.

Figure 7: Reasons for taking origin labels into account when shopping

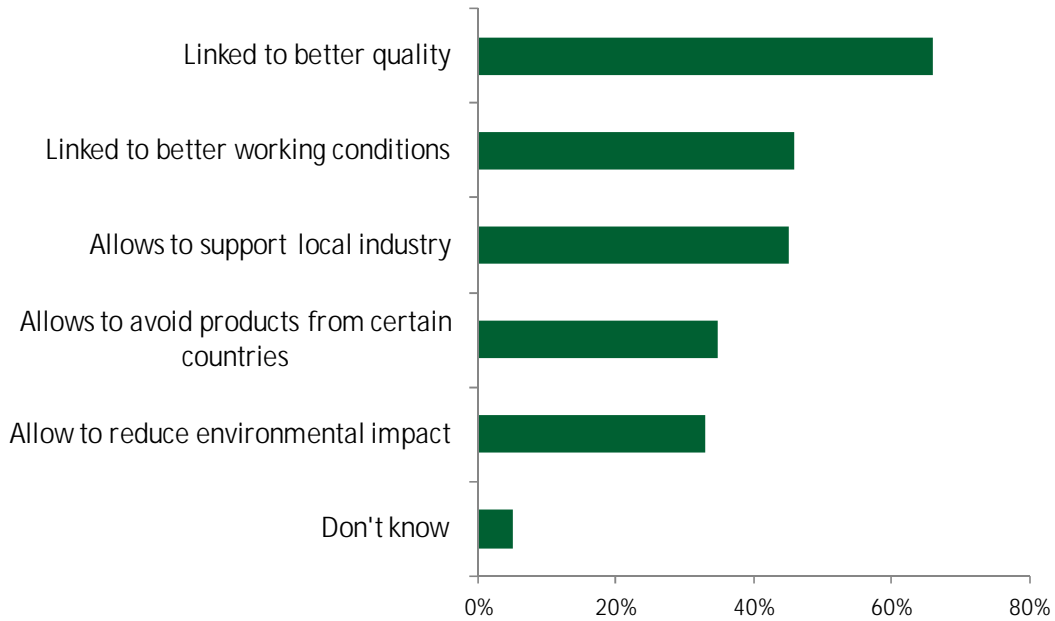
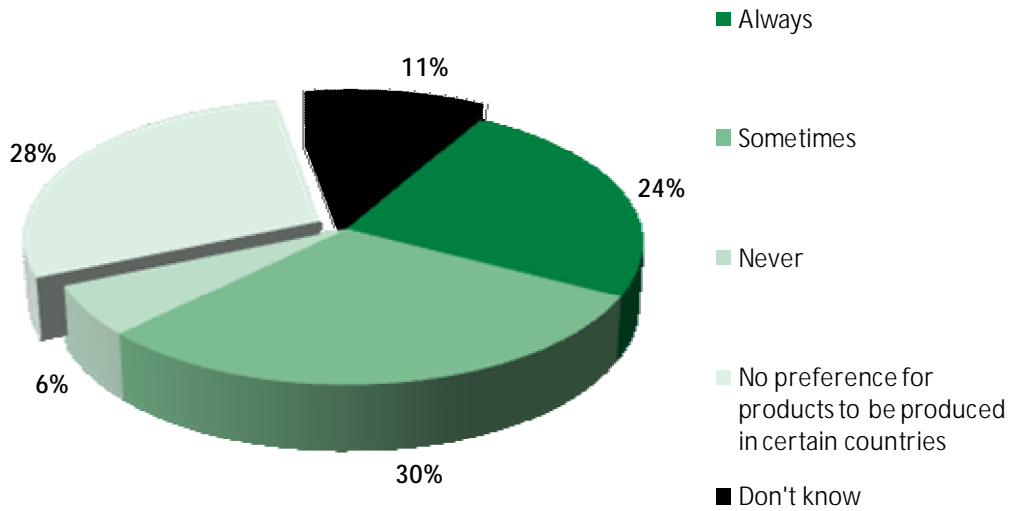


Figure 8 outlines the current use of labels carrying information about the country of origin. This question reveals the potential discrepancy between consumers with a preference for products produced in certain countries and those using the information, with 24% who indicate 'always' using the information even though many more have a preference for products from certain countries. Respondents who answered 'no' to the question of whether they had any preferences for products produced in certain countries were not asked the next question as they would have no reason to take an origin label into account. The category in Figure 8 labelled 'never' thus consists of respondents who, despite a preference for products from certain countries, do not take the labels into account (e.g. because they don't trust or encounter these labels).

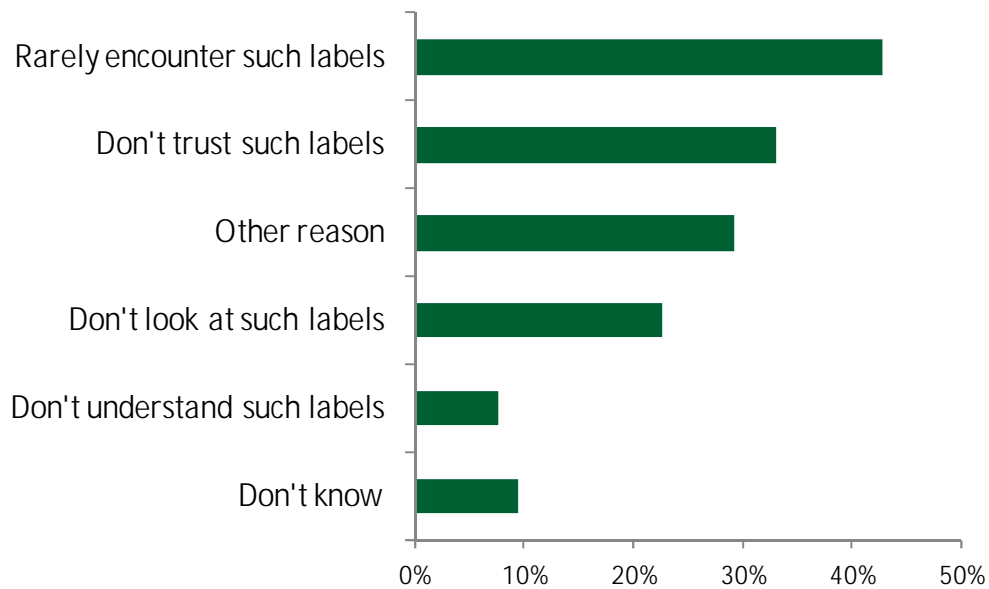
Figure 8: Frequency with which consumers take origin labels into account when shopping



Note: Because of rounding, the above numbers add up to 99% rather than 100%.

Figure 9 illustrates the reasons indicated by consumers for refraining from using labels, showing that the most common reasons for not always taking labels into account was not encountering them, followed by not trusting them.

Figure 9: Reasons why consumers do not always take origin labels into account when shopping



Consumer impact of policy option

This section assesses the potential impact of the proposed policy option based on the findings of the consumer survey. In the case of country of origin labelling, the proposed policy consists of introducing a European **country of origin information system**.

The development of a clear definition could impact on both:

- the quality of the information supplied; and
- the use of country of origin information, assuming that sufficient awareness-raising and communication efforts are undertaken.

With regard to quality of information, the problem definition section shows that the current framework results in origin labels sometimes being viewed as misleading for some stakeholders and not reflecting accurately where a product has been made. Generally, views on the topic are rather split. With the introduction of a voluntary label based on a harmonised definition for origin marking of leather products, labelling practices would likely become more standardised. Assuming that a definition would be one in line with what is understood as country of origin by consumers, labels would provide more accurate information. This would impact positively on the 24% of consumers who currently 'always' take labels into account when shopping and, to a lesser extent, on the 30% who 'sometimes' do.

As noted above, the policy option can have an impact on the use of information. According to the survey results, the most common reason for not using origin labels is that consumers do not encounter these labels (43%), and the second most frequently mentioned reason is lack of trust in the information on labels (33%). Finally, 8% indicate that lack of understanding of the label prevents them from using it. If implemented correctly and communicated to consumers, a definition of country of origin could have a positive effect on consumers by increasing trust and understanding of the label. It could lead to an increase in the use of the label among consumers who currently do not take the label into account because of low trust or lack of understanding of origin labels. The impacts of the options on consumers are outlined in Table 9.

Table 9: Summary table – origin

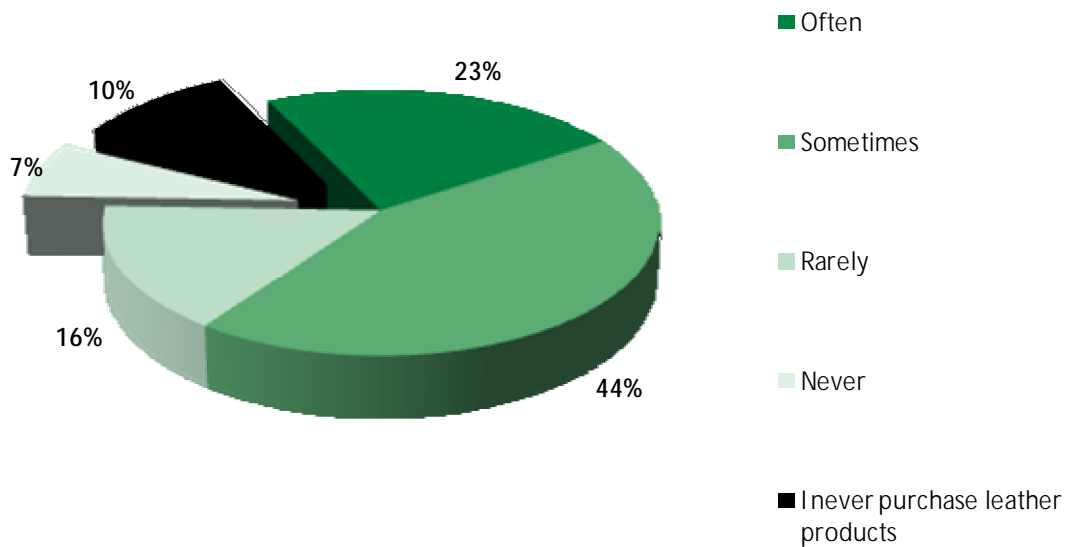
Consumers likely to benefit	Level of impact
<p>Out of 64% with a preference for origin information (as indicated in Figure 6), 28% have no preference and 8% don't know. 24% indicate that they 'always' take labels into account when shopping</p> <p>Out of 64% with preference for origin information, 30% only 'sometimes' take labels into account when shopping and 6% say they 'never' do. As indicated in Figure 9, 33% and 8% of these respondents do not do so because they do not trust and understand the labels respectively</p>	<p>Low positive impact (+)</p> <p>Products sold to these consumers would be more in line with their preferences</p> <p>Given that the reasons for not taking labels into account are only partially addressed through this policy option, a limited impact is expected</p>

6.1.2 Authenticity

Results of consumer survey

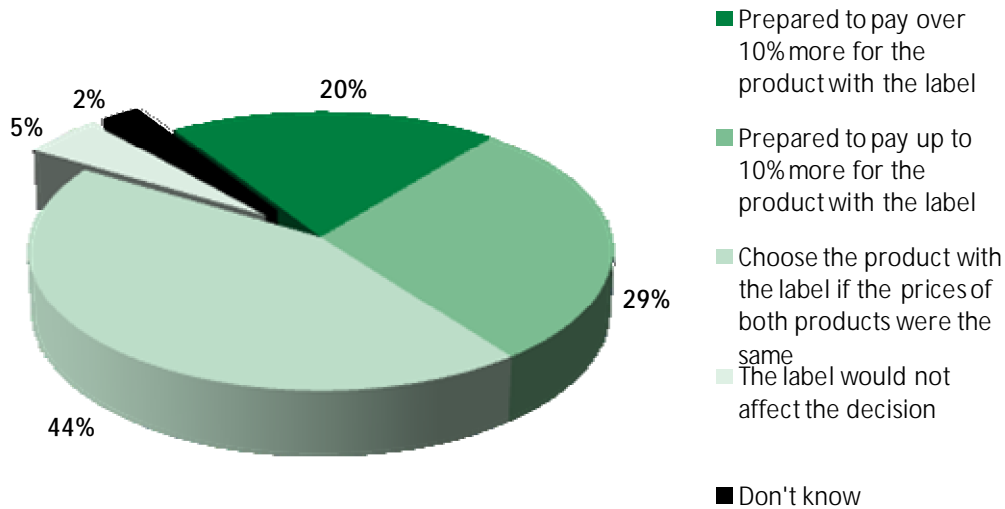
Figure 10 indicates the level of uncertainty that consumers face when making purchasing decisions for leather products. In total, 23% of consumers state that they rarely or never feel uncertain about a product, 44% of consumers state that this is sometimes the case, and 23% of consumers feel that this is often the case.

Figure 10: Proportion of consumers who, when purchasing leather products, are ever unsure whether the product is made of genuine leather



As shown in Figure 11, 49% of consumers would be willing to pay more for a product that carries a label specifying the product is made of authentic leather. Only 5% indicate that they would disregard the label altogether, whereas 44% of respondents would choose a product with a label if prices were the same.

Figure 11: Consumer willingness to pay for a leather product carrying a leather label certifying it is made of authentic leather



Consumer impact of policy option

This section assesses the potential impact of the proposed policy options based on the findings of the consumer survey. Here, the proposed options consist of introducing a voluntary or mandatory leather label.

The development of a leather labelling system could primarily have an impact on the quality of information delivered to the consumers concerning the authenticity of leather products; the survey findings presented above suggest that:

- there appears to be a rationale for addressing leather labelling, given that a large proportion of consumers (67%) is sometimes or often unsure whether a product is made of genuine leather; and
- consumers do appear to place value on leather labels, with half of consumers stating that they would pay more for a product with a label certifying the product is made of authentic leather.

It is important to interpret the second finding with care, as it is not clear whether consumers are expressing their willingness to pay more for the label (or the 'certainty' that comes with a label) or their willingness to pay more for an authentic leather product compared with a product not made of authentic leather.

With regard to consumers unsure about the authenticity of leather products, the total impact on consumers will depend on the effective communication of the labelling system to consumers and its enforcement, as well as the size of the market for leather products. According to Eurostat, the total consumption of leather products in 2011 was €7.1bn⁸⁸, whereas the total consumption expenditure of households on clothing (also including leather clothing) in the same period was €470bn⁸⁹. In other words, purchases of leather products are less frequent and of

⁸⁸ Prodcom database 2011.

⁸⁹ Euratex estimate available at: <http://www.euratex.org/content/the-eu-27-textile-and-clothing-industry-year-2011>

much lower total value than, for instance, household consumption of textiles and clothing products.

Summary of impacts

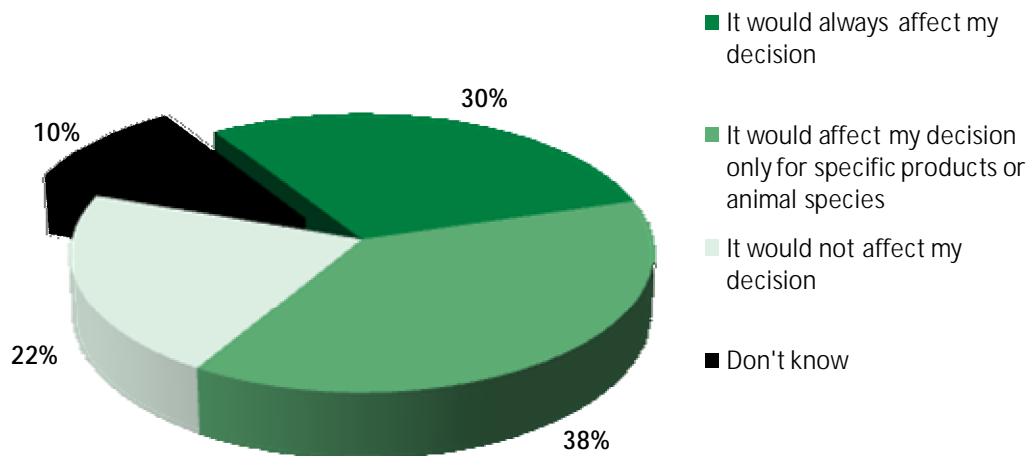
Table 10: Summary – authentic leather label

Consumers likely to benefit	Level of impact
67% of consumers who are sometimes or often unsure whether a product is made of genuine leather	Medium positive (++) Large proportion of consumers could benefit from a label, but leather products amount to a small fraction of total consumption

6.1.3 Animal species

The main social impact from a label indicating animal species is the improvement in information available to consumers. As shown in Figure 12, 68% of respondents state that knowing the animal species from which a leather product is made would affect their decision, with 30% stating that it would always have an effect. This suggests that an animal species label could deliver valuable information to a considerable number of all consumers.

Figure 12: Extent to which a label specifying animal species would influence purchasing decisions of consumers



Consumer impact of policy option

This section assesses the potential impact of the proposed policy options based on the findings of the consumer survey. Here, the proposed policy consists of introducing a voluntary label indicating the species of animal(s) from which a leather product is derived.

The development of an animal labelling system could primarily have an impact on the quality of information delivered to consumers concerning the authenticity of leather products; the survey findings presented above suggest that 30% of consumers would make use of it every time they shop for leather products whereas another 38% could see the use of the label in some cases. It

is worth noting that approximately two-thirds of all leather originates from cattle (bovine) whereas the remaining third consists predominantly of pig, goat and sheep⁹⁰.

Table 11: Summary – animal species

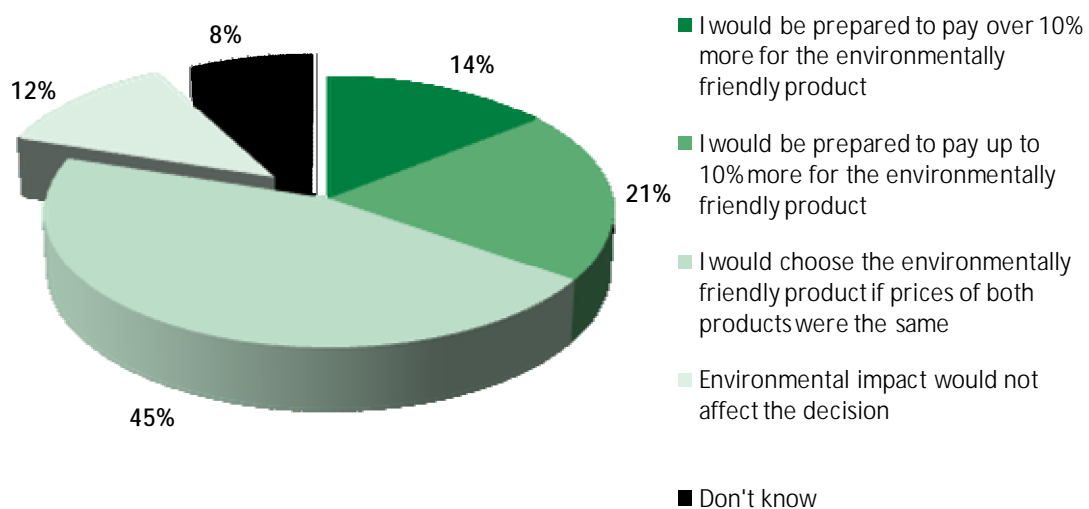
Consumers likely to benefit	Level of impact
30% of consumers would always take the animal species label into account when shopping for leather products	<p style="text-align: center;">Low positive (+/-)</p> <p>Large proportion of consumers could benefit from a label, but leather products amount to a small fraction of total consumption and the vast majority of leather products sold are of one of just four species</p>

6.1.4 Environmental label

Results of consumer survey

Figure 13 illustrates the proportion of consumers with a preference for products with a low environmental impact. It indicates that approximately a third of all consumers are prepared to pay a premium for environmentally friendly products. In total, 45% would choose a product produced in an environmentally friendly manner if the alternative product carried the same price. Finally, 12% do not have any preference for environmentally friendly products.

Figure 13: Consumer preferences concerning environmental impact of products



This means that information about the environmental impact is valuable to some extent to 80% of consumers although for the largest group of respondents (45%) the value is only marginal.

Figure 14 outlines the current use of labels carrying information about environmental impact. A relatively high number of respondents indicate that they sometimes (40%) or always (17%) take labels into account. Given the small number of existing schemes, it is likely that respondents refer to situations in which they look for labels rather than the frequency with which such labels are encountered. There are 18% indicating that they never use the information on

⁹⁰ International Tanners Council.

environmental labels even though they have a preference for products with low environmental impact.

Figure 14: Extent to which consumers take environmental labels into account when shopping

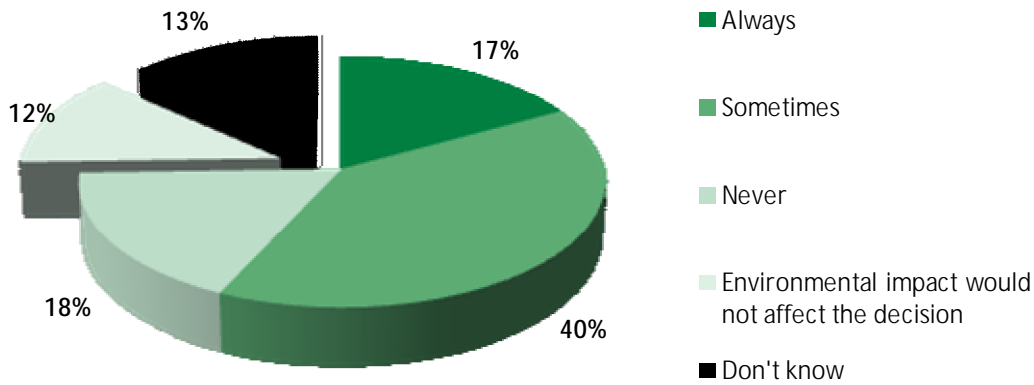
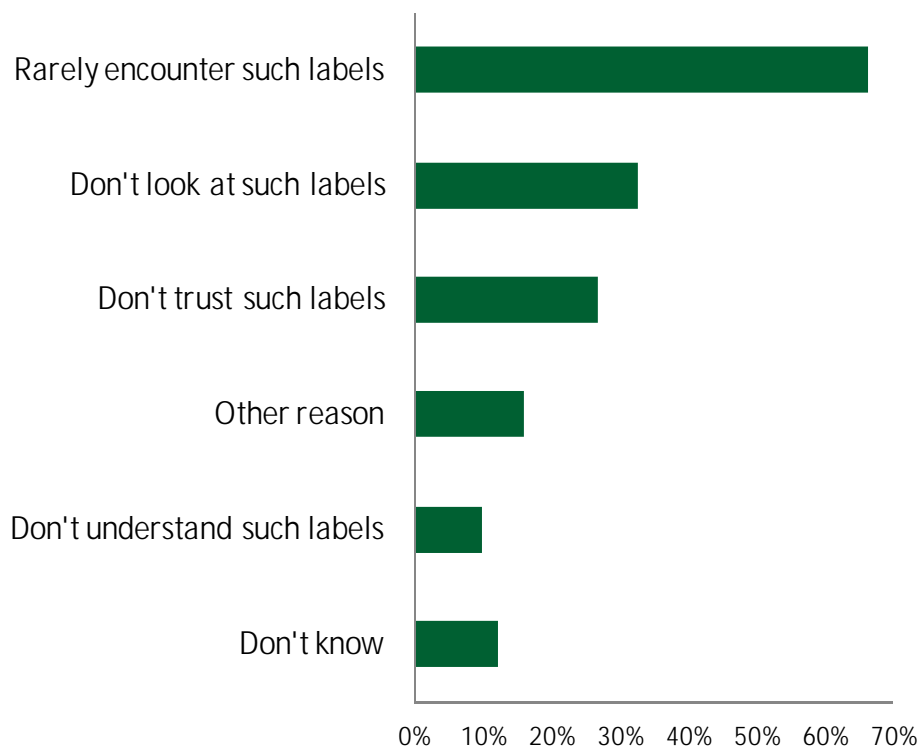


Figure 15 shows the reasons for consumers not to take labels into account even when they have a preference for products with a low environmental impact. The main reason most frequently mentioned is that people rarely encounter such labels (66%). Some 10% indicate a lack of understanding.

Figure 15: Reasons why consumers do not always take environmental labels into account when shopping



Consumer impact of policy option

This section assesses the potential impact of the proposed policy option based on the findings of the consumer survey. With regard to environmental labelling, the proposed policy option consists of providing guidance on tackling unsubstantiated environmental claims using the Unfair Commercial Practices Directive based on existing good practices.

The development of a guidance document on best practices in the field of unsubstantiated environmental claims could impact on both:

- the quality of the information supplied on labels; and
- the use of environmental labels, assuming that this effort is complemented by sufficient awareness-raising and communication.

With regard to quality of information, a guidance document with best practices issued by the European Commission could lead to a reduction in misleading claims. This would positively impact on the 17% of consumers who currently 'always' take labels into account when shopping and, to a lesser extent, on the 40% who 'sometimes' do as they would be more likely to get products whose lower environmental impact is backed up by reliable evidence.

As noted above, this policy option can also have an impact on the use of information. According to the survey results, the most common reason for not using origin labels is the fact that consumers do not encounter these labels (66%), and the second most frequently mentioned reason is that consumers simply do not look at the labels (33%). In addition, 27% say they don't trust the labels. Finally, 10% indicate that lack of understanding of the label prevents them from using it. If implemented correctly and communicated to consumers, a guidance document could contribute to building trust towards environmental labels and make it easier for consumers to evaluate and compare claims.

The impacts of the options on consumers are outlined in Table 12.

Table 12: Summary – environmental label

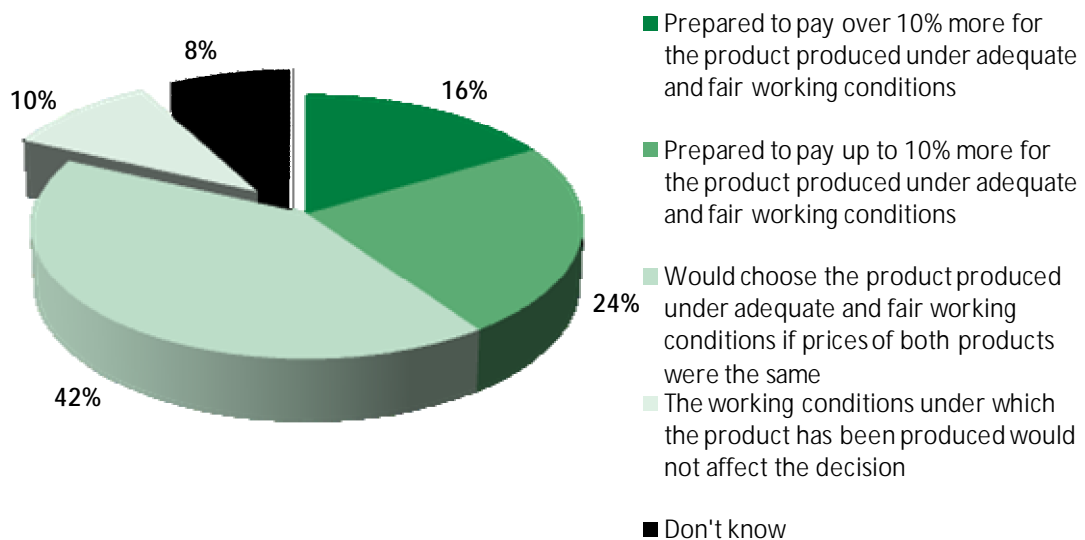
Consumers likely to benefit	Level of impact
<p>Out of 80% with a preference for information about environmental impact (Figure 14), 17% 'always' take labels into account when shopping. Out of 80% with a preference for origin information, 40% only 'sometimes' take labels into account when shopping, and 18% say they 'never' do. 27% and 10% of these respondents do not do so because they do not trust and understand the labels respectively (Figure 15).</p>	<p>Medium positive impact (+) 57% of consumers will potentially benefit from buying fewer products with misleading labels.</p> <p>Given that trust and understanding appear not to be primary reasons for a low level of use, is the impact on use likely to be limited?</p>

6.1.5 Social label

Results of consumer survey

Figure 16 illustrates the proportion of consumers with a preference for leather products produced under fair working conditions. It indicates that two in five consumers are prepared to pay a premium for ensuring that the workers received fair treatment. A slightly higher number would choose the product produced under fair working conditions if the alternative had the same price. Finally, 10% are indifferent to the working conditions under which a product has been produced.

Figure 16: Consumer preferences concerning working conditions under which leather products are produced



This means that information about the working conditions under which a product has been produced is valuable to some extent to 8 in 10 consumers although for the majority (42%) the value is only marginal.

Figure 17 outlines the current use of labels carrying information about the working conditions under which they have been produced. It appears that 43% of consumers take social labels into account either sometimes or always. Given the low number of existing schemes, it is likely that respondents refer to situations in which they look for labels rather than the frequency with which such labels are encountered. Some 30% of the respondents indicate that they never use the information on labels even though they have a preference for products produced under fair working conditions. It is notable that 17% of the respondents express no opinion. This further corroborates a picture of the low priority of this issue among consumers.

Figure 17: Extent to which consumers take social labels into account when shopping

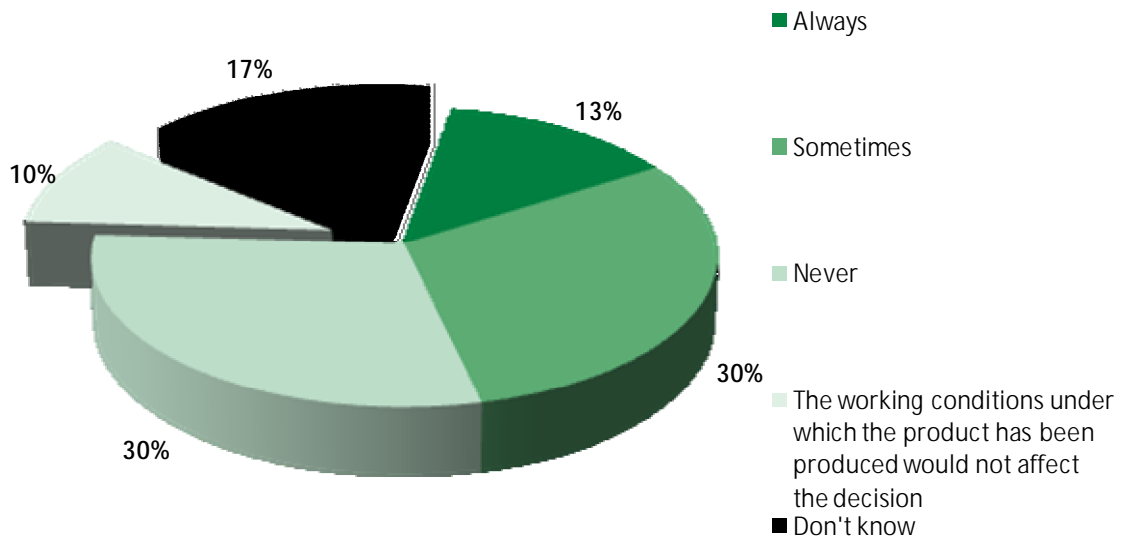
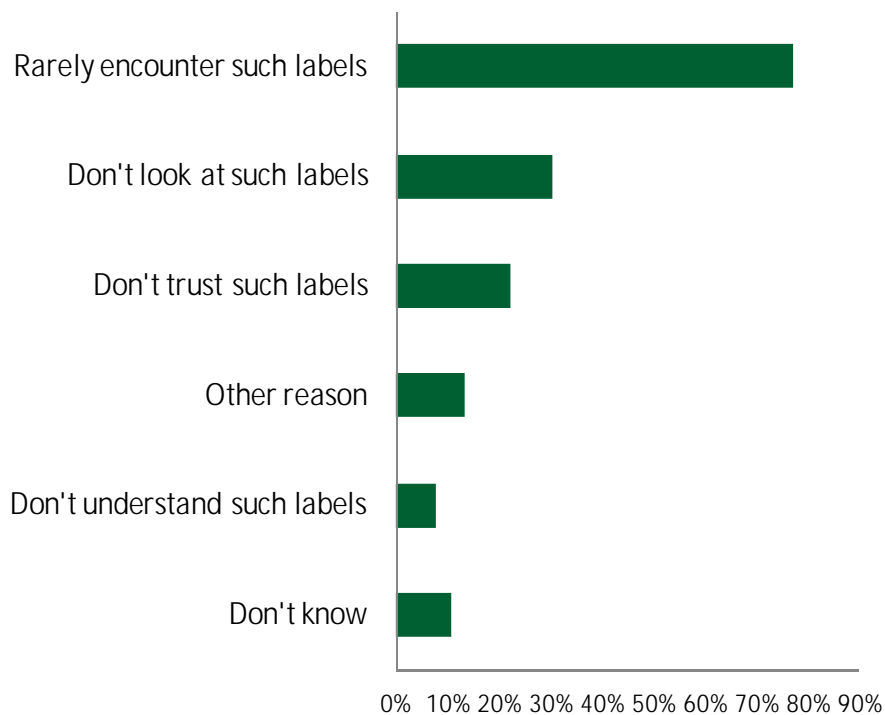


Figure 18 shows the reasons why consumers are not using social labels even when they have a preference for products produced under fair working conditions. The reason most frequently mentioned is that people rarely encounter such labels. This is not surprising given the very low number of existing schemes identified by this study. Just 8% indicate a lack of understanding as a cause.

Figure 18: Reasons why consumers do not always take social labels into account when shopping



Consumer impact of policy option

This section assesses the potential impact of the proposed policy option based on the findings of the consumer survey. With regard to social labelling, the proposed policy option consists of providing guidance on tackling unsubstantiated social claims using the Unfair Commercial Practices Directive based on existing good practices.

The development of a guidance document on best practices in the field of social labelling could impact on both:

- the quality of the information supplied on labels; and
- the use of social labels, assuming that this effort is complemented by sufficient awareness-raising and communication.

With regard to quality of information, the problem definition section shows there are different standards and methodologies used by retailers and brands for measuring the social impact. A guidance document issued by the European Commission could advise what constitutes misleading social claims for products carrying labels or designations regarding the treatment of workers involved in the production process. This could help reduce the number of misleading or unsubstantiated claims. This would impact positively on the 13% of consumers who currently 'always' take labels into account when shopping and, to a lesser extent, on the 30% who 'sometimes' do as they would be more likely to get products that have been produced under genuinely better working conditions than the average leather product.

As noted above, this policy option can also have an impact on the use of information. According to the survey results, the most common reason for not using social labels is the fact that consumers do not encounter these labels (77%), the second most frequently mentioned reason is that consumers simply don't look at the labels (30%), whereas 22% say they do not trust the labels. Finally, 8% indicate that lack of understanding of the label prevents them from using them. If implemented correctly and communicated to consumers, a guidance document could contribute to building trust towards social labels and clarify what they mean.

The impacts of the options on consumers are outlined in Table 13.

Table 13: Summary – social label

Consumers likely to benefit	Level of impact
<p>Out of 82% with a preference for information about social impact (Figure 17), 13% 'always' take labels into account when shopping.</p> <p>Out of 82% with a preference for information about social impact, 30% only 'sometimes' take labels into account when shopping and 30% say they 'never' do. 22% and 8% of these respondents do not do so because they do not trust and understand the labels respectively (Table 18).</p>	<p>Low positive impact (+/-): 43% of consumers will potentially benefit buying fewer products with misleading labels.</p> <p>Low positive impact (+/-): Given that trust and understanding appear not to be primary reasons for the low level of use, is the impact on use likely to be limited?</p>

6.2 Analysis of options – impact on industry, public authority and wider society

The following sections will outline the impacts on industry, public authorities and wider society.

6.2.1 Country of origin information

Baseline

There was generally no consensus among stakeholders about the scale of the problems created by the current lack of EU-level coordination in the field. Additionally, there was disagreement about the feasibility of introducing a country of origin scheme. Currently, the Community Customs Code provides a definition for determining the origin of a product. The extent to which this definition is applied in practice across the industry and enforced by customs authorities is unknown to the consulted stakeholders. To the extent that misleadingly labelled products are currently being marketed, the value of the reputation for quality or good working standards, which some countries have achieved over time, is being undermined. At the same time, it is a cost to consumers to be misinformed. In the consumer survey, 54% of the respondents indicated that they always or sometimes take country of origin labels into account when shopping for leather products. If the requirements for origin labels are flexible and unenforced, it means that consumers are being misled. The main costs related to the status quo thus include consumer disempowerment and unfair competition between businesses. A key statistic that is applied in this and the following section concerns market size and the definition of leather products. For a list of the included product categories and codes, see Annex 4. The key figures are outlined in Table 14.

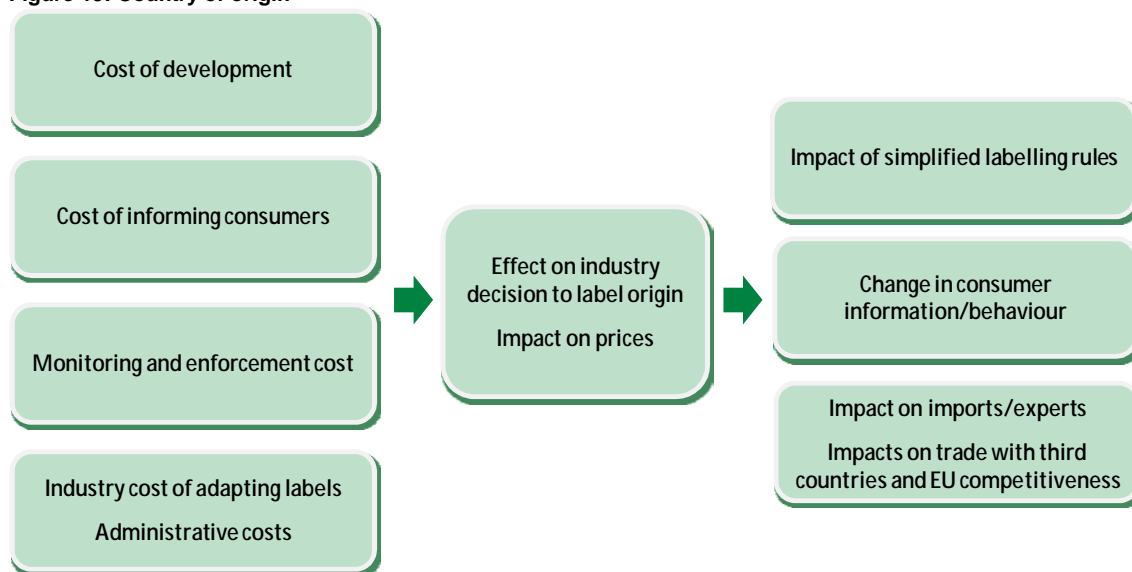
Table 14: Key figures used in the impact analysis

Estimates	Indicator description	Source
€1.3bn	2011 Volume of sold leather products (units) = domestic production + import – export	Eurostat (Prodcom)
€7.1bn	2011 Value of EU consumption of leather products (€) = domestic production + import – export	See Annex 4 for included product categories

Analysis of impacts

Figure 19 outlines the conceptual understanding of the proposed **country of origin information system**. This option does not imply developing a mandatory harmonised design for the label. It only sets the requirements for the information made available on a label on the leather product.

Figure 19: Country of origin



The individual impacts are described in more detail in the sections below.

Impact on public authorities

The economic impacts on public authorities are the costs of:

- developing and administering a labelling system;
- informing the consumers; and
- monitoring and enforcement (market surveillance).

These impacts are described in more detail in the following subsections.

The cost of developing and administering an information system

The cost of developing a workable country of origin definition is likely to be primarily the time needed to reach a consensus on a potential definition. Such a definition could apply to a range of imported and EU manufactured products rather than a single industry sector or a specific category of imported goods only. The challenges of developing a definition include the fact that it can be difficult to adequately communicate the complexity of modern global supply chains to the consumer with reference to a single place/country of origin. Within the EU and among its main trade partners, there is still no consensus on the key criteria for determining the origin of leather products. Products containing leather components are often put together in different countries from where the leather was tanned, and use leather originating from yet another country, meaning that any definition would need to account for such complexity. Moreover, the costs incurred by market surveillance authorities, accreditation and certification bodies should be accounted for (see below on **monitoring and enforcement**), and the risk of creating artificial barriers to the smooth functioning of the EU internal market should be adequately addressed (see below on **simplifying labelling rules faced by businesses operating across the EU**). In the American system, this has been mitigated by requiring a qualification of the origin (for example, made in the US from Italian leather). The Australian solution provides a two-tier origin system, with a strict (product of Australia) and a less strict designation (made in Australia). A simpler solution would be to refer to the specific working or processing mentioned in the annexes of the implementing provisions of the Community Customs Code.

In addition, industry stakeholders at different points in the supply chain can also have different interests regarding the rules for a country of origin label. This indicates that an industry-wide consensus could prove difficult to reach.

A previous impact assessment in the field of textile labelling shows that the process of developing an industry standard can take three years⁹¹. This estimate is corroborated by an expert in the area of European standardisation, who expects that three to four years of work by a Technical Committee would be needed to develop a CEN standard. Although the country of origin definition would not necessarily be developed through a standardisation route, the above estimate serves as a useful guide to the time required for development.

Cost of informing consumers

In addition to developing a definition, stakeholders representing industry and consumers pointed to the importance of consumer information campaigns accompanying any significant change in labelling rules and regulation.

An information campaign for the EU labelling system for beef can provide some indication of the cost associated with a campaign to inform consumers. This campaign, approved under regulation (EC) No 890/1999, required €6.8 million of funding to cover 15 Member States⁹². As shown in Table 15, the cost for 28 Member States would be approximately €12.2 million.

Table 15: Cost of an information campaign

	Member State	Estimate	Data sources/calculation
A	Total cost for 15 Member States	€6,8m	Information campaign for the EU system of beef labelling
B	Average cost per Member State	€0.5m	B=A/15
C	Total cost for 27 Member States	€12.2m	C=B*27

Although the example of beef labelling is one where an information campaign is more central to the labelling system than is the case for country of origin information for leather products, it nevertheless provides a useful indication of the orders of magnitude associated with the costs of awareness raising.

Costs of monitoring and enforcement

There is generally limited evidence concerning the potential costs of monitoring and enforcement or market surveillance, especially given that it may depend on the criteria and rules applicable to the information system (e.g. requirements and conditions for using certified labels or test methods). The impact assessment study on a possible extension, tightening or simplification of the Framework Directive 92/75 EEC on energy labelling of household appliances found that estimates associated with monitoring and enforcement of an energy labelling system varied between €25 000 and €500 000⁹³. As Table 16 shows, the total annual monitoring cost across the EU could fall in a wide range of €675 000 to €13.5 million.

Table 16: Cost of monitoring and enforcement

⁹¹ Nwaogu, T., Vernon, J. and Postle, M. 2008. *Simplification of EU Legislation in the Field of Textile Names and Labelling: An Impact Assessment of Policy Options*. Final Report – prepared for the European Commission Directorate-General Enterprise and Industry by Risk & Policy Analysts Limited.

⁹² EU Press Release. 2000. Information campaign for the EU system of beef labelling. Available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/00/244&format=HTML&aged=1&language=EN&guiLanguage=en>

⁹³ Europe Economics. 2007. *Impact assessment study on a possible extension, tightening or simplification of the Framework Directive 92/75 EEC on energy labelling of household appliances*.

		Estimate	Data source/calculation
A	Annual monitoring and enforcement cost per Member State – low estimate	€25 000	Impact assessment study on a possible extension, tightening or simplification of the Framework Directive 92/75 EEC on energy labelling of household appliances
B	Annual monitoring and enforcement cost per Member State – high estimate	€0.5m	
Cost scenarios			
C	Total annual monitoring and enforcement cost for EU27 – low estimate	€0.7m	C=A*27
D	Total annual monitoring and enforcement cost for EU27 – high estimate	€13.5m	D=B*27

The range of costs based on the above estimates is relatively large, but there are indications that enforcement costs could be at the higher end of that range. According to one of the industry stakeholders, implementation will be an important issue. Given the fact that the EU has joint customs legislation but 27 customs authorities, this point is also stressed in a study commissioned by ANEC (European consumer voice in standardisation) and the UK Department for Environment, Food and Rural Affairs⁹⁴. It found that enforcement actions of the European Energy Label were either not taken or not being reported in seven of nine investigated Member States. For that reason, it is expected that monitoring costs will be at the high end of the scale. An impact assessment found that, in the area of nutrition labelling, resources allocated to inspection/control do not rise together with the number of initiatives to be inspected or controlled⁹⁵. This indicates that the monitoring and enforcement of a labelling system covering one sector will be more expensive per unit relative to a system covering multiple product groups.

Impact on industry

Main economic impacts on industry include:

- costs of introducing or changing labels;
- impacts on sales and prices; and
- economic impacts associated with changes in trade patterns.

Cost of adapting labels

Where there are labels in place, the costs of adapting labels can be inferred by looking at research concerning nutrition labelling. In an impact assessment on the direct cost of including nutrition labelling on food products, the drafting, artwork and printing costs were estimated to be €2 000–4 000 per SKU (stock keeping unit, i.e. a particular type of product), whereas the costs of extensive redesign would be €7 000–9 000 per SKU⁹⁶. According to a major jeans manufacturer, the average SKU will consist of 2 500–4 000 products⁹⁷. This yields an estimated cost of relabelling of €0.5⁹⁸–1.6⁹⁹ per individual item. This estimate, however, is quite sensitive

⁹⁴ Viegand and Maagøe. 2007. *A review of the range of activity throughout Member States related to compliance with the EU Energy Label regulations in those countries*. commissioned by "ANEC and department of ANEC, the European consumer voice in standardisation, AISBL" and the "UK Department for Environment, Food and Rural Affairs Market – Transformation Programme". p. 3.

⁹⁵ European Advisory Service. 2004. *The introduction of mandatory nutrition labelling in the European Union – impact assessment undertaken for DG Sanco, European Commission*. p. 51.

⁹⁶ European Advisory Service. 2004. *The introduction of mandatory nutrition labelling in the European Union – impact assessment undertaken for DG Sanco, European Commission*. p. 31.

⁹⁷ Abernathy et al. 2002. *Globalization in the Apparel and Textile Industries: What is New and What is Not?*

⁹⁸ €2 000/4 000 units = €0.50 per unit.

to the actual number of products per SKU, which could in reality vary greatly across product categories. According to the European Apparel and Textile Confederation (Euratex), the cost of changing a basic label is likely to be in the range of €0.10–0.60 per item (labelling of textile and clothing products is assumed to be similar in cost to leather products). As a consequence, this study applies the estimate of €0.50 per item which falls within the range of both estimates¹⁰⁰.

Table 17 presents an estimate of the costs to the leather industry for different scenarios. It is based on the above estimate of costs per SKU, which requires the assumption that the cost is borne by the retailers. It is assumed that, for a voluntary label, the cost of adapting labels will fall on the companies that are currently labelling in a way which will be considered misleading under the new rules. The cost of take-up will additionally be borne by industry stakeholders who see an economic benefit in it. However, as this group of businesses will take on the cost voluntarily and by definition have this cost offset by commercial benefits, they are not included in this cost estimate. It is also not expected that this group will be large. A voluntary definition will most likely not lead to a significant increase in take-up as any increase in consumer confidence, which could motivate take-up, is likely to be gradual. As the 2005 impact assessment notes:

‘The development of a voluntary scheme would limit the additional costs of economic operators to those producers firmly convinced that the name of the country of origin on the product is an asset as far as they would have to modify their practices to comply with the new requirements¹⁰¹,

⁹⁹ €4 000/2 500 units = €1.60 per unit.

¹⁰⁰ It is important to note that this cost solely covers the cost of changing the physical labelling. Cost pertaining to the collection and management of the data provided on the label will only increase if the definition differs from the one applied for customs purposes and/or for mandatory systems in other important global markets. These issues are discussed in the last two sections of this chapter.

¹⁰¹ Commission Staff Working Document. 2005. *Annex to the proposal for a Council Regulation on the indication of the country of origin of certain products imported from third countries. Impact Assessment*. COM(2005) 661 final. p. 13.

Table 17: Cost of adapting labels

		Estimate	Data source/calculation	Assumption
A	Cost of adapting the physical label per individual product	€0.50	Impact assessment on the introduction of mandatory nutrition labelling in the European Union, estimate provided by Euratex	<ul style="list-style-type: none"> Adapting labels does not involve extensive redesign Costs for food product labelling can be used as a proxy for costs of leather product labelling Estimate has been cross-checked with industry stakeholder
B	Volume of sold production of leather products (units)	1.3bn	Eurostat 2011 figure ¹⁰²	Consumption = production + export – import
C	Proportion of products currently carrying country of origin labels	50–70%	No data are available regarding this issue, but several consulted stakeholders argued that the majority of products carry origin labels	The statements of the stakeholders are representative of the whole industry
D	Proportion of currently labelled products that would be considered as misleading if policy option were introduced	10%	No data are available regarding this issue	<ul style="list-style-type: none"> Indicative estimate If the number of misleading products is much lower than 10%, the harm to the consumer will be limited and policy intervention will in any case not be justified
E	Estimated number of products with misleading labels	65m–91m	$E = B * C * D$	
	Scenario	Cost interval	Calculation	
F	Estimated cost of adapting labels	€32.6m–45.6m	$F = E * A$	

It is important to clarify that this is a one-off cost and would only be incurred in the year when the change takes place. However, the majority of products can be expected to already carry a label in accordance with the criteria. A country of origin information scheme would require re-labelling (or removing labels) only in the case where existing labels are not consistent with the proposed system. This is the cost that has been calculated in Table 17. In other situations, the costs will be borne by producers and retailers who believe they can benefit from including the label on their product.

¹⁰² Eurostat. Prodcom database. A representative selection of textile products were selected based on the publication 2009. *European business – Facts and figures: Textiles, clothing, leather and footwear*, table 10.4 on p. 14. The following Prodcom product codes have been included 18.23.30.00, 18.23.23.00, 18.22.33.30, 18.22.34.70, 18.23.21.00, 18.22.22.10, 18.22.23.00, 18.22.34.80, 18.22.24.42, 18.22.35.49.

Impact on sales and prices

In terms of impact on prices and sales, the policy option would generate an economic impact if:

- country of origin information would result in consumers being more willing to pay a higher price for country-specific products;
- consumers would be more willing to purchase products conveying such information.

The results of the consumer survey suggest that consumers do tend to have a preference for products to be made in specific countries, and over a third of all consumers are willing to pay a premium for a product made in that particular country of preference. This indicates that country of origin labels do have an impact on sales and prices, although whether a changed country of origin definition will have such an impact would depend on the consumers understanding the value of the new origin label.

At the aggregate level, however, it is difficult to determine the impact of this measure on the European leather industry as a whole. Even if consumers were to change their purchasing decisions, any increase in sales for one group of leather products could be at the expense of a different group of leather products. This is supported by the findings from the stakeholder consultation where, despite support for revised origin rules by stakeholders in some Member States, some European-level industry stakeholders remain sceptical about introducing a country of origin labelling scheme. This in turn suggests that any potential impact of such a label would not be distributed equally across the industry, with some segments of the industry potentially becoming disadvantaged. Would the country of origin definition favour 'made in individual Member States', as opposed to 'made in EU'? The risk of fragmentation of the EU internal market, and related costs, should be accounted for.

As a result, it is difficult to arrive at an estimate of the impact on the industry. It is likely that, if any changes in sales and prices of leather products were to materialise, they would involve redistribution between different segments of the industry.

There is little evidence that a measure aimed at establishing a new country of origin information scheme would have an impact on **simplifying labelling rules faced by businesses**. Currently, no EU Member State has mandatory origin labelling and marking systems for leather products. This could be because, as shown in Section 3.4.1, a lack of a common approach to country of origin labels has generally not been seen as a problem. In addition, it is important to take into account the international origin labelling requirements that larger economic operators will still need to consider (see below).

Finally, regarding the **effects on international trade**, industry stakeholders stress the risk that labelling requirements could be seen as protectionist behaviour by important trading partners of the EU. This in turn could lead to protectionist countermeasures from other countries. As the previous impact assessment on origin labelling from 2005 states, in most cases, foreign and domestic producers mark their production according to the rules of third countries of export (e.g. the US and Canada) without differentiating between the production to be distributed in the Single Market and in non-EU markets. A potential labelling scheme could change this behaviour. However, it is not clear whether a 'made in EU' label would be welcomed by EU trade partners and meet the expectations of the majority of EU economic operators. Labelling requirements based on conflicting standards could result in very high administrative and compliance costs for businesses operating globally. In addition, recent WTO case law indicates that country of origin systems entail risks of compromising international trade agreements.

Summary of impacts

Table 18: Summary of impacts – origin labelling

Costs		Benefits	
Cost of development (one-off)	3–4 years [not costed]	Hypothetical benefit of increase in sales [not costed]	Ambiguous evidence [not costed]
Cost of informing consumers (one-off)	€12.2m		
Annual cost of monitoring and enforcement	€0.68m–13.5m	Benefit of simplified rules	No evidence of an impact
Cost of adapting labels (one-off)	€32.6m–45.7m (assuming 10% mislabelling)		
Cost of increasing consumer prices	No clear evidence [not costed]	Benefit for consumer information	Some evidence of consumer benefit [not costed]
Total one-off cost	€44.8m–57.9m	Total one-off benefit	N/A
Total annual cost	€0.68m–13.5m	Total annual benefit	Some evidence of benefit to consumer; ambiguous evidence of increase in sales [not costed]
Cost–benefit		<p><u>Insufficient evidence for cost–benefit analysis</u> <u>Over a five-year period, costs are estimated to reach €48.2m–125.4m¹⁰³</u></p> <p><u>This cost is equivalent to the value of a hypothetical 0.1–0.4%¹⁰⁴ increase in sales of leather products in the EU in the same five-year period (baseline 2011)</u></p>	

¹⁰³ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹⁰⁴ Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) 7.1bn/5

Table 19: Distribution of impacts

Stakeholder group/type of impact	Costs	Benefits	Aggregate impact
Public authorities	<p><u>Medium negative (-)</u></p> <ul style="list-style-type: none"> Developing a definition for origin labels can be time consuming Requires informing consumers Monitoring and enforcement costs are likely to be high Risks with regard to international agreements 	N/A	<u>Medium negative (-)</u>
Industry	<p><u>Low negative (+/-)</u></p> <ul style="list-style-type: none"> Costs of adapting labels can be substantial for an individual enterprise However, due to the voluntary nature of the label, they will mostly fall on economic operators who will benefit from labelling Risk of businesses facing conflicting labelling standards in and outside the EU 	<p><u>Low positive (+/-)</u></p> <ul style="list-style-type: none"> Limited evidence that the country of origin label would lead to higher sales or consumers paying substantially higher prices 	<u>Low Positive (+/-)</u>
Consumers	<p><u>Neutral (+/-)</u></p> <ul style="list-style-type: none"> Limited evidence that costs will be passed on to consumers as higher prices 	<p><u>Neutral/low positive (+/-)</u></p> <ul style="list-style-type: none"> There is evidence of consumer interest in origin Given that consumers associate qualities with origin labels that can be unrelated to origin, a labelling scheme is unlikely to fully deliver the information that consumers need to make their decisions 	<u>Neutral/low positive (+/-)</u>
Aggregate impact			Neutral (+/-)

6.2.2 Authenticity and animal species labelling

The following five policy options are interlinked as they consist of different ways of addressing the same problem. The three policy options concerning authenticity labelling are presented in the following order:

- voluntary authenticity label;
- mandatory authenticity label; and
- using the Unfair Commercial Practices Directive to target misleading claims in the field of leather authenticity and animal species.

A comparative summary is provided following the analysis of the three options. This is followed by two additional options, which are variations of the policy options regarding an authenticity label:

- voluntary authenticity and animal species label; and
- mandatory authenticity and animal species label.

6.2.2.1 Authenticity label – voluntary

Baseline scenario

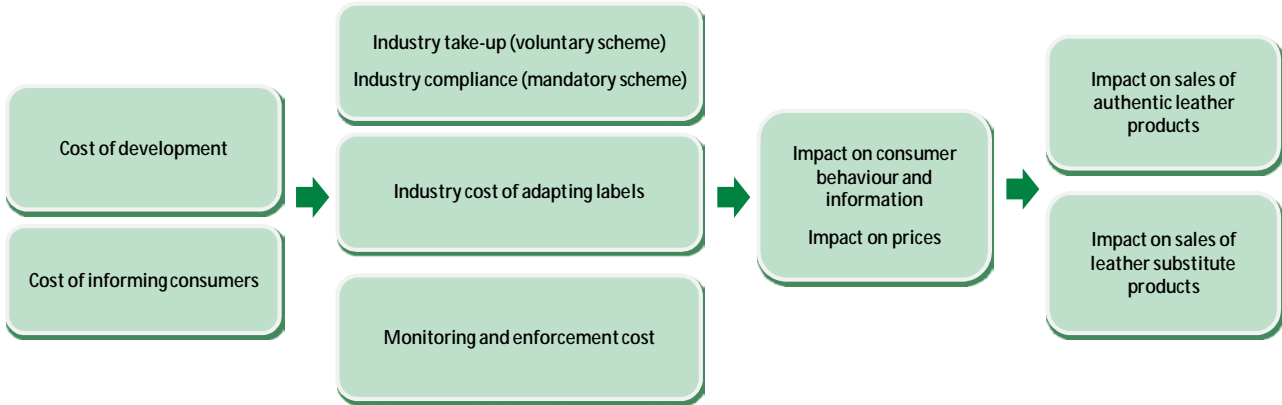
Currently, the use of the word leather is protected under different systems in a number of European Member States. In Italy and the UK, the leather industry holds a collective trademark, which enables it to sue companies that are marketing non-leather products as leather. An industry standard in Germany has an equivalent effect. Other countries such as France and Austria have legal provisions regarding the use of the word leather. But in many countries, there is no protection of the use of the term leather, and COTANCE estimates that 15–20% of the market for products labelled as being leather is made up of different kinds of non-leather or composite leather products. These products carry an estimated market value of €1.1bn–1.4bn¹⁰⁵. According to COTANCE, if an authenticity label has a legal basis which regulates the use of the term leather, it is likely to reduce the costs of litigation. The stakeholder estimated that there are currently about two to five lawsuits annually in each Member State, which can cost up to €30 000 per lawsuit. This amounts to an annual cost of €1.6m–4.1m. Litigations are usually conducted by national industry associations. In the US, there is an industry guide that provides details on what kind of commercial practices are misleading in relation to leather and raw skins and hides.

Analysis of impacts

Figure 20 outlines the conceptual understanding of the impacts of the proposed policy option to introduce a **voluntary leather labelling system**. This policy option consists of developing and designing a label that real leather products can carry. At the same time, this policy option would regulate misleading uses of the word leather.

¹⁰⁵ As indicated in Section 6.2.1, the leather product market has a total value of 7.1bn. The figures indicated above are 15% and 20% of €7.1bn respectively.

Figure 20: Authenticity label



The individual impacts are described in more detail in the sections below.

Impact on public authorities

The main economic impacts on public authorities (Member States and/or EU institutions) are the costs of:

- developing and administering a labelling system;
- informing consumers; and
- monitoring and enforcement.

These impacts are described in more detail in the following subsections.

The costs of developing a definition of a genuine leather/authentic leather product and a labelling system will depend on:

- the nature of the labelling system; and
- the way in which the labelling system would be implemented (i.e. European legislation or private stakeholder-led initiative).

With regard to the nature of the labelling system, as many stakeholders have pointed out, the Footwear Directive constitutes a useful blueprint for leather labelling of non-footwear products. In 2009, for example, the International Council of Tanners published an international 'Code of practise on the appropriate designation of leather used in upholstery and automotive applications'¹⁰⁶ using the definition of leather and the principles of what reasonably constitutes a leather product embodied in the Directive on Footwear Labelling. Assuming that the Footwear Directive would serve as a basis for a leather labelling system, the costs of arriving at a definition of what constitutes an authentic leather product are not likely to be substantial. The costs incurred (e.g. royalties, accreditation and certification, market surveillance, etc.) will vary according to the approach implementing the voluntary system (either self-declaration or third party certification). Furthermore, the split of such costs (between market actors and public authorities) will be different. This section focuses on costs based on the assumption that the labelling system would be organised and administered at EU level.

The option is also likely to result in the costs of developing a new Directive or Regulation setting out the labelling system. As there are no data available on the cost of developing the European Footwear Directive, the European Commission impact assessment on energy labelling estimates will be used as a reference point. Here, the costs are estimated to be €700 000 for a

¹⁰⁶ See <http://www.tannerscouncil.org/Code%20of%20Practice%20ratified%20Mar%202009.pdf>

regulation and €4.7 million for a new Directive, including transposition¹⁰⁷. It is worth noting that energy labelling is closely linked with eco-design, which means that the process of developing an energy labelling system is time and resource intensive and, hence, this estimate could be seen as potentially a high estimate.

Cost of informing consumers

As in the case of country of origin labelling, one economic impact on public authorities associated with this policy option is likely to be the cost of an information campaign accompanying the labelling system. As estimated in the previous section, the cost for 27 Member States would be approximately €12.2 million.

Costs of monitoring and enforcement

As presented in the previous section, the impact assessment study on a possible extension, tightening or simplification of the Framework Directive 92/75 EEC on energy labelling of household appliances found that estimates associated with monitoring and enforcement of an energy labelling system varied between €25 000 and €500 000¹⁰⁸. The total annual monitoring cost across the EU could therefore fall in a wide range between €675 000 and €13.5 million.

Impact on industry

The main economic impacts on the industry include:

- cost of introducing or changing labels;
- impact on sales and prices of genuine leather products and substitute products; and
- reduced costs of litigation.

Cost of adapting labels

The cost to the industry of adapting labels should be broadly in line with the costs outlined for the voluntary country of origin labelling. As is the case with the country of origin labelling, owing to the voluntary nature of the scheme, the businesses bearing the cost of relabelling will also be the businesses seeing a likely advantage in such a label. Only the companies labelling in a way that would be seen as misleading under this policy option would be forced to adapt their labels. Table 20 provides an overview of these costs.

¹⁰⁷ Commission Staff Working Document. 2008. Accompanying document to the Proposal for a Directive of the European Parliament and of the Council on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products Impact Assessment {COM(2008) 778 final} {SEC(2008) 2863}.

¹⁰⁸ Europe Economics. 2007. *Impact assessment study on a possible extension, tightening or simplification of the framework directive 92/75 EEC on energy labelling of household appliances.*

Table 20: Cost of adapting labels

		Estimate	Data source/calculation
A	Consumption of leather garments	Units 1.3bn	Prodcom Database 2011 ¹⁰⁹
B	Proportion of products mislabelled as leather and not originating from animal skins or hides	15–50%	At least the 15% currently mislabelling will be forced to adapt labels. It is assumed that a maximum of 50% of the industry would adopt a voluntary label
C	Estimate of market value of products sold as leather and not originating from animal skins or hides	Units 196m–260m	A*B
D	Cost of adapting labels (per label)	€0.50	For calculation, see Table 17
E	Cost of adapting labels (in total)	€97.8m–130.4m	E = C*D

Changes in prices and sales

Findings from the consumer survey suggest that approximately 50% of consumers would be willing to pay a premium for a product that carries a label certifying authenticity. However, it is not clear to what extent this represents the willingness to pay more for an item made of genuine leather compared with another item. There is also a possibility of a leather labelling system resulting in a substitution effect between leather and non-leather products, although it is not clear whether this effect would bring about a net benefit to European industry as a whole. It would mean that the leather producers could be able to gain some parts of the markets that are currently dominated by leather-like materials not originating from skins or hides. It is the estimate of the European Association of Tanners, COTANCE, that up to 15–20% of the products that are sold as leather do not originate from animal skins and hides. This means that at least 15% of the products on the market will need to be adapted. Table 21 outlines the leather industry's potential gain in share of the market for products misleadingly sold as leather. As many of these products are sold based on their comparatively lower price, it is likely that only some consumers will shift to real leather products even if labelling is improved. The assumption in the calculations in Table 21 is that this figure is a maximum of 50%. It is important to note that the benefits in Table 21 cannot be categorised as net benefits as they are (at least in part) the result of lost market shares of non-authentic leather producers. They nevertheless provide an important illustration of the magnitude of the impacts and a tool for comparing policy options for the authenticity label.

¹⁰⁹ See Annex 4 for details regarding market definition.

Table 21: Potential gain to the leather industry of market shares currently held by misleadingly labelled products

		Estimate	Data source/calculation
A	Consumption of leather garments	€7.1bn	Prodcum Database 2011 ¹¹⁰
B	Proportion of market currently mislabelled	15–20%	COTANCE estimate
C	Estimate of market value of products sold as leather and not originating from animal skins or hides	€1.1bn–1.4bn	A*B
Benefit scenarios			
D	Scenario 1: Leather industry gains 10% of the market currently held by 'fake' leather products	€105.8m–141.m	D=0.1*C
E	Scenario 2: Leather industry gains 30% of the market currently held by 'fake' leather products	€317.3m–423.1m	E=0.3*C
F	Scenario 3: Leather industry gains 50% of the market currently held by 'fake' leather products	€528.8m–705.1m	F=0.5*C

The consumer survey results do indicate that a leather label could result in increased consumer confidence. This additional consumer confidence could in turn lead to a rise in sales, which would constitute a net benefit. Owing to a lack of reliable data, this benefit is not modelled; however, the impact summary table (Table 23) provides an indication of how big this benefit would need to be to match the cost in a five-year period.

Finally, an important advantage to industry would centre on the **legal certainty and the clarity of rules**. A well-defined legal basis could help to reduce some of these litigation costs. This study makes the assumption that this cost could be reduced by 50% with a voluntary label.

Table 22: Litigation costs

		Estimate	Data source/calculation
A	Number of lawsuits per Member State per annum – low estimate	2	COTANCE estimate
B	Number of lawsuits per Member State per annum – high estimate	5	COTANCE estimate
C	Cost per lawsuit	€30 000	COTANCE estimate
D	Total litigation cost per Member State – low estimate	€60 000	D=A*C
E	Total litigation cost per Member State – high estimate	€150 000	E=B*C
F	Total saving for the EU27 – low estimate	€1.6m	F=27*D
G	Total saving for the EU27 – high estimate	€4.1m	G=27*F

¹¹⁰ See Annex 4 for details regarding market definition.

Summary of impacts

Table 23: Summary of impacts – authenticity voluntary

Costs		Benefits	
Cost of development (one-off)	€0.7m–4.7m ¹	Benefit to leather industry from a 15-50% potential gain of the market currently held by 'fake' leather products	€105.8m–705.1m <i>Change in market share rather than net benefit</i>
Cost of informing consumers (one-off)	€12.2m		
Annual cost of monitoring and enforcement	€0.68m–13.5m	Annual benefit from legal certainty and the clarity of rules	€1.6m–4.1m
Cost of adapting labels (one-off)	€97.8m–325.9m (assuming uptake of 15–50%)		
Impact on consumer prices	Ambiguous evidence [not costed]	Impact on consumer information	High positive but not quantifiable [not costed]
Total one-off cost	€110.7m–342.9m	Total one-off benefit	N/A
Total annual cost	€0.68m–13.5m	Total annual benefit	€1.6m–4.1m + €105.8m–705.1m + High positive impact on consumers
Cost–benefit		<p><u>This policy option is potentially cost-beneficial</u></p> <p><u>Over a five-year period, costs are estimated to reach €114.1m–410.4m¹¹¹</u></p> <p><u>This cost is equivalent to the value of a hypothetical 0.3–1.2%¹¹² increase in sales of leather products in the EU in the same five-year period (baseline 2011)</u></p>	

¹¹¹ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹¹² Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) 7.1bn/5

Table 24: Distribution of impacts – authenticity voluntary

Stakeholder group/type of impact	Costs	Benefits	Aggregate impact
Public authorities	<u>Medium negative (-)</u> <ul style="list-style-type: none"> Costs of developing the labelling system Costs of informing consumers Costs of monitoring and enforcement 	N/A	<u>Medium negative (-)</u>
Industry	<u>Neutral (+/-)</u> <ul style="list-style-type: none"> Costs of adapting labels can be substantial for an individual enterprise However, owing to the voluntary nature of the label, they will mostly fall on economic operators who will benefit from labelling 	<u>High positive (+/+)</u> <ul style="list-style-type: none"> Large gain to leather industry from protection of the use of the word leather 	<u>High positive (+/+)</u>
Consumers	<u>Low negative to neutral (+/-)</u> <ul style="list-style-type: none"> Risk of costs being passed on to consumers by producers and retailers 	<u>Medium positive (+)</u> <ul style="list-style-type: none"> There is evidence of consumer interest in authenticity labelling 	<u>Medium positive (+)</u>
Aggregate impact			High positive (+/+)

6.2.2.2 Authenticity label – mandatory

Analysis of impacts

The main difference between a voluntary and a mandatory scheme concerns two main aspects:

- the number of companies labelling their products depends on level of compliance rather than industry take-up; and
- mandatory labelling requires adequate monitoring and enforcement.

As outlined in the previous section, there is general support for an authenticity label among industry stakeholders, and the expected level of take-up of a voluntary label is relatively high. This suggests that compliance with a mandatory scheme would generally be high. However, a mandatory scheme will most likely be more costly, as it would impose the **cost of adapting labels** on those producers and retailers who would otherwise not have introduced the label or delayed its introduction. This section models the cost of relabelling 100% of leather products (i.e. full compliance with a new system is assumed).

The **cost of monitoring and enforcement** associated with a mandatory label could potentially be higher than for a voluntary label, as labelling of all leather products could be costly to enforce adequately. It is assumed that costs will be twice the size in comparison with a voluntary scheme.

In terms of impact on prices and sales, it is unlikely that a mandatory label would be more effective in generating more sales or allowing leather producers and retailers to charge higher prices than a voluntary label, as the economic operators likely to benefit from such labelling would have used a label under the voluntary scheme. For this option, scenarios are considered for leather producers to gain 30–80% of the market share currently held by producers of non-authentic leather products which are sold as such.

Summary of impacts

The cost side is slightly raised but at the same time the impact is likely to be very much larger. The distribution of impacts stays largely the same as under a voluntary label.

Table 25: Summary of impacts – mandatory authenticity label

Costs		Benefits	
Cost of development (one-off)	€0.7m–4.7m	Benefit to leather industry from a potential gain of the market currently held by 'fake' leather products (30–70%)	€317.3–987.2m <i>Change in market share rather than net benefit</i>
Cost of informing consumers (one-off)	€12.2m	Annual benefit from legal certainty and the clarity of rules	€1.6m–4.1m
Annual cost of monitoring and enforcement	€1.4m–27m	Impact on consumer information	High positive but not quantifiable [not costed]
Cost of adapting labels (one-off)	€651.9m (assuming 100% compliance)	Total one-off benefit	N/A
Impact on consumer prices	Ambiguous evidence [not costed]	Total annual benefit	€1.6m–4.1m + €317.3–987.2m + High positive impact on consumers
Total one-off cost	€664.9m–668.9m	<p><u>This policy option is potentially cost-beneficial</u></p> <p><u>Over a five-year period, costs are estimated to reach €71.7m–803.9m¹¹³</u></p> <p><u>This cost is equivalent to the value of a hypothetical 1.9–2.3%¹¹⁴ increase in sales of leather products in the EU in the same five-year period (baseline 2011)</u></p>	
Total annual cost	€1.4m–27m + Potential impact on consumer prices		
Cost–benefit			

¹¹³ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹¹⁴ Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) 7.1bn/5

6.2.2.3 Authenticity – guidelines to the existing legislation

A final option in this area is the development of guidance on tackling unsubstantiated authenticity claims using the Unfair Commercial Practices Directive and based on existing good practices. The main difference between the introduction of a voluntary label and this type of guidance relates to:

- development cost of a guidance document; and
- cost of adapting labels will be restricted to currently misleading labels.

This option would focus mainly on strengthening the enforcement of existing rules regarding the accuracy of information provided on labels. This policy option would avoid some of the costs related to designing the visual representation of a leather label. It would, however, still include the development of standards for what constitutes leather and what kind of designations could reasonably be applied to describe it. **Development costs** would nevertheless be significantly lower than for the label option. They are assumed here to be 50% of the estimate for the voluntary authenticity label.

Informing consumers could be less relevant than in the case of introducing a label, as consumers would not need to familiarise themselves with a new label. Nevertheless, some consumer information is important in order for consumers to develop more trust in labels under the new guidelines. Therefore, 50% of the cost of informing consumers is assumed.

Cost of adapting labels will be restricted to the 15–20% of the market that is currently carrying misleading product descriptions. In terms of impact on **prices and sales**, if an improvement in enforcement of the UCP Directive were effective, it is likely that the effect on purchasing decisions of consumers would be similar to that of a voluntary label. Although the reduction in misleading claims could decrease the sales of substitute products, it is unlikely raise consumer confidence in the same way as a label. For that reason, a lower overall increase in leather sales can be expected. However, as illustrated in Table 26, the increase in sales necessary to match the costs over a five-year period is also modest.

An important advantage to industry would centre on the **legal certainty and the clarity of rules**. Guidelines to existing legislation could constitute assistance to producers of leather comparable to that of a label. This effect is assumed to be similar to a voluntary label.

Consumer information would improve to the extent that consumers would buy products more in line with their preferences. However, given the uncertainty of consumers when faced with products resembling leather, this policy option is likely to be less effective than a credible leather label present on all or most leather products.

Monitoring and enforcement can be expected to be similar to the introduction of a voluntary label.

Summary of impacts

Table 26: Summary of impacts – UCP guidelines

Costs		Benefits	
Cost of development (one-off)	€0.4m–2.4m	Benefit to leather industry from a potential 15–50% increase in the market currently held by 'fake' leather products	€105.8m–705.1m <i>Change in market share rather than net benefit</i>
Cost of informing consumers (one-off)	€6.1m		
Annual cost of monitoring and enforcement	€0.68m–13.5m	Annual benefit from legal certainty and the clarity of rules	€1.6m–4.1m
Cost of adapting labels	€98m–130m	Impact on consumer information	Low positive but not quantifiable [not costed]
Impact on consumer prices	Ambiguous evidence [not costed]		
Total one-off cost	€104m–139m	Total one-off benefit	N/A
Total annual cost	€0.68m–13.5m	Total annual benefit	€1.6m–4.1m + €105.8m–705.1m + Low positive impact on consumers
Cost–benefit		<p><u>This policy option is potentially cost-beneficial</u></p> <p><u>Over a five-year period, costs are estimated to reach €107.6m–159.1m¹¹⁵</u></p> <p><u>This cost is equivalent to the value of a hypothetical 0.3–0.5%¹¹⁶ increase in sales of leather products in the EU in the same five-year period (baseline 2011)</u></p>	

¹¹⁵ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹¹⁶ Hypothetical increase in EU sales of leather products in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) € 7.1bn/5

6.2.2.4 Summary of policy options regarding leather authenticity

All three policy options were found to be potentially cost-beneficial. Table 27 provides an overview of the relative performance over a five-year period for the suggested options. The benefit side consisting of a reduction in legal disputes generates identical benefits for all three solutions. However, the consumer impact and potential market share gained by the leather industry from substitute products vary. The market share gain for the leather industry will come at a cost to another industry and should thus not be seen as directly comparable to the cost side. In addition, this will benefit a narrow industry group, whereas costs will generally fall on public authorities. The mandatory label appears to be the least cost-beneficial option. **The voluntary label could be a better choice. It has significantly lower costs and the optimal impact on consumers and potential market sales.** It is important to note that the relatively higher cost in comparison with the UCP option is due to a *voluntary* uptake from businesses, which see a commercial benefit from incurring this cost. Although a set of guidelines could have a big impact in removing misleading leather claims, it would not provide consumers with the confidence associated with a leather label.

Table 27: Summary of costs and benefits over a five-year period of policy options regarding authenticity

		Mandatory label	Voluntary label	UCP guidelines
Benefits	Impact on consumer confidence and resulting overall increase in sales of leather products	High positive	High positive	Low positive
	Benefits of reduced legal disputes	€8m–20.5m		
	Value of potential market share gained to leather industry from misleading products over a five-year period	€1.6bn–4.9bn	€528m–3.5bn	€528m–3.5bn
Costs	Estimated cost over a five-year period	€671.7m–803.9m	€114.1m–410.4m	€107.6m–159.1m

6.2.2.5 Authenticity label augmented by animal species – voluntary

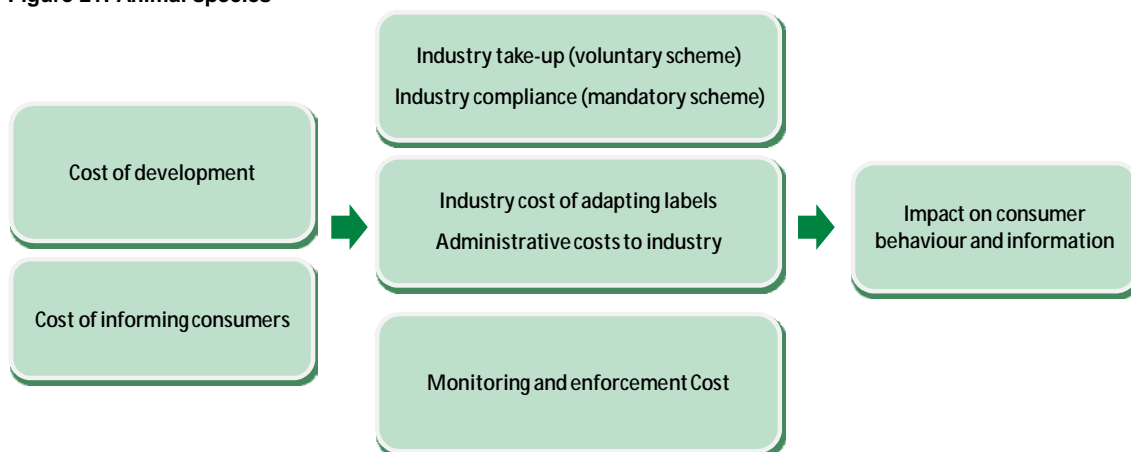
Baseline scenario

The area of labelling of animal species is generally not considered a major issue by stakeholders. For the main types of leather – bovine, sheep, goat and pig – it is generally easy to tell the difference, and stakeholders were not aware of any issues of mislabelling. The issue mainly regarded consumers with an aversion against leather made of certain animal types for religious reasons. In the context of leather from more exotic animals, could a label be helpful (e.g. alligator, snake, etc.)? But these products consist of less than 0.2% of world production according to the International Council of Tanners.

Analysis of impacts

Figure 21 outlines the conceptual understanding of the impacts of the proposed policy option to introduce a **voluntary label indicating the species of the animal(s) of which a leather product is derived. This policy option concerns potential extension of a voluntary leather authenticity label.**

Figure 21: Animal species



The individual impacts are described in further detail in the sections below.

Impact on public authorities

The main economic impacts on public authorities are the costs of:

- developing a label;
- informing consumers; and
- monitoring and enforcement.

The cost of developing a definition for animal species labelling is not likely to be high given that it would form part of the authenticity label. The development of standards is, however, inevitable. For that reason, development costs are expected to add 50% of that for the voluntary authenticity label.

The key economic impact associated with this policy option is the **cost of an information campaign** to the public authorities and industry operators. But if this is done as part of the leather authenticity label, it is not likely that there will be any significant additional costs. A

conservative estimate would be that costs would not exceed 20% of the information costs for the leather label.

Separate **monitoring and enforcement** is not likely to be needed, especially considering the current level of mislabelling. A very conservative estimate would be adding 10% to the cost of the authenticity label.

Impact on industry

The main economic impacts on the industry are the costs of adapting labels, something that is related to the level of take-up. Given the small market, it would be unlikely for businesses to take it up if they were not also interested in the leather label. The consumer survey indicated that 30% would always take animal origin into account when making purchasing decisions about leather products. But given that the current uncertainty about animal origin of leather products is not substantial, a big change in market shares is unlikely. Based on stakeholder input, it is additionally not likely that there are many businesses that are currently labelling misleadingly.

Summary of impacts

Table 28: Summary of impacts – animal species

Costs		Benefits	
Cost of development (one-off)	€0.35m–2.35m	Hypothetical impact on sales of authentic leather products	Likely to be low if any [not costed]
Cost of informing consumers (one-off)	€2.4m		
Annual cost of monitoring and enforcement	€67 000–1.35m	Impact on consumer information	Neutral to low positive [not costed]
Cost of adapting labels (one-off)	€0		
Impact on consumer prices	No evidence [not costed]		
Total one-off cost	€2.8m–4.8m	Total one-off benefit	N/A
Total annual cost	€67 000–1.35m	Total annual benefit	Neutral to low consumer impact
Cost–benefit		<u>This policy option is unlikely to be cost-beneficial</u>	

Table 29: Distribution of impacts – animal species

Stakeholder group/type of impact	Costs	Benefits	Aggregate impact
Public authorities	<p><u>Low negative (-)</u></p> <ul style="list-style-type: none"> Costs of developing the labelling system Costs of monitoring and enforcement 	<p><u>N/A</u></p>	<p><u>Low negative (-)</u></p>
Industry	<p><u>Neutral (+/-)</u></p> <ul style="list-style-type: none"> Costs of adapting labels can be substantial for an individual enterprise However, owing to the voluntary nature of the label, they will mostly fall on economic operators who will benefit from labelling 	<p><u>N/A</u></p>	<p><u>Neutral (+/-)</u></p>
Consumers	<p><u>Neutral (+/-)</u></p> <ul style="list-style-type: none"> No risk of cost being passed on 	<p><u>Neutral (+/-)</u></p> <ul style="list-style-type: none"> Currently few cases of mislabelling Easy to tell the difference between four main animal types 	<p><u>Neutral (+/-)</u></p>
Aggregate impact			Low negative (+/-)

6.2.2.6 Authenticity label augmented by animal species – mandatory

This policy option concerns potential extension of a mandatory leather authenticity label.

As is the case for authenticity labelling, the main difference between a voluntary and a mandatory scheme concerns two main aspects:

- the number of companies labelling their products depends on the level of compliance rather than industry take-up; and
- a mandatory label requires adequate monitoring and enforcement.

Unlike in the case of authenticity labelling, there is less interest in animal species labelling, meaning that a mandatory label is more likely to impose **costs on producers and retailers** who would otherwise not have chosen to include the label on their products. This could be passed on to the consumer.

The **cost of monitoring and enforcement** associated with a mandatory label could potentially be higher than for a voluntary label, as labelling of all leather products could be costly to enforce adequately. It is assumed here to be double the cost for a voluntary label. The reason for the relatively low cost is that an animal species label would be enforced as a component of the authenticity label rather than as an independent label.

Summary of impacts

Table 30: Summary of impacts – animal mandatory

Costs		Benefits	
Cost of development (one-off)	€0.35m–2.35m	Hypothetical impact on sales of authentic leather products	Likely to be low if any [not costed]
Cost of informing consumers (one-off)	€2.4m		
Annual cost of monitoring and enforcement	€134 000–2.7m	Impact on consumer information	Neutral to low positive [not costed]
Cost of adapting labels (one-off)	€0		
Impact on consumer prices	No evidence [not costed]		
Total one-off cost	€2.8m–4.8m	Total one-off benefit	€0
Total annual cost	€134 000–2.7m + Potential impact on consumer prices	Total annual benefit	Neutral to low consumer impact
Cost–benefit		<u>This policy option is unlikely to be cost-beneficial</u>	

Table 31: Distribution of impacts – animal species

Stakeholder group/type of impact	Costs	Benefits	Aggregate impact
Public authorities	<u>Medium negative (-)</u> <ul style="list-style-type: none"> Costs of developing the labelling system Costs of monitoring and enforcement Cost of informing consumers 	N/A	<u>Medium negative (-)</u>
Industry	<u>Neutral to low negative (+/-)</u> <ul style="list-style-type: none"> Costs of adapting labels can be substantial for an individual enterprise Cost of informing consumers However, owing to the voluntary nature of the label, they will mostly fall on economic operators who will benefit from labelling 	N/A	<u>Neutral to low negative (+/-)</u>
Consumers	<u>Low negative to neutral (+/-)</u> <ul style="list-style-type: none"> Risk of cost passed on to the consumer 	<u>Neutral (+/-)</u> <ul style="list-style-type: none"> Currently few cases of mislabelling, 	<u>Neutral to low negative (+/-)</u>
Aggregate impact			Medium negative (-)

6.2.3 Environmental labelling – the EU Ecolabel

Baseline scenario

In the stakeholder consultation, this was the most frequently mentioned issue regarding environmental labelling. Ecolabel criteria for leather products are currently under development, meaning that this particular policy option could be seen to form part of the baseline scenario¹¹⁷. Nevertheless, it is still valuable to outline some of the main potential impacts associated with the option.

The first six Ecolabel licences were given in 1996, and the Ecolabel has experienced rapid growth since. However, by 2011, the number of licences had only reached 1 357 across all product types corresponding to about 17 000 EU Ecolabelled products. As textile products already fall within the scope of the label, it is useful to give an indication of the expected uptake. Some 1 367 textile products are currently licensed¹¹⁸. However, this accounts for significantly less than 0.1% of the total number of products sold¹¹⁹.

¹¹⁷ http://ec.europa.eu/environment/ecolabel/about_ecolabel/pdf/work_plan.pdf

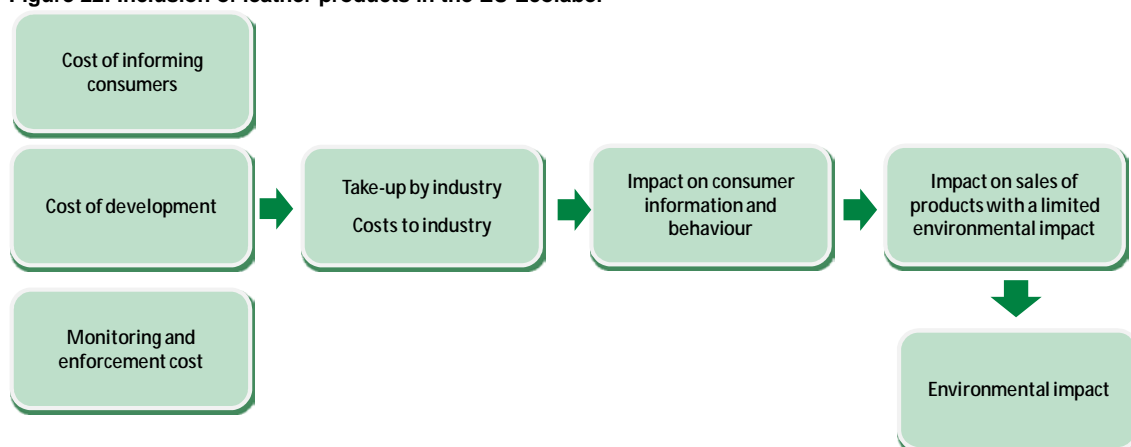
¹¹⁸ <http://ec.europa.eu/environment/ecolabel/facts-and-figures.html>

¹¹⁹ 24bn Eurostat Prodcom, chapters 13 and 14.

Analysis of impacts

Figure 22 outlines the conceptual understanding of the impacts associated with **provisions for inclusion of leather products in the EU Ecolabel**.

Figure 22: Inclusion of leather products in the EU Ecolabel



Impact on public authorities

The key economic impacts associated with the option are the costs of:

- developing the Ecolabel criteria for leather products;
- informing consumers and producers; and
- monitoring and enforcement.

Of the three costs outlined above, the main cost would be the cost of **developing the Ecolabel criteria** for leather products. This process is likely to be time consuming, as there are a number of stakeholders involved in the development of criteria, including Competent Bodies (CBs) and the EU Ecolabelling Board (EUEB), as well as a number of consultation rounds and discussions within the EUEB (total of around eight). Although the impact assessment on the revision of the Ecolabel puts the direct cost of development of criteria at €25 000, it also notes that the development and revision of criteria is a long and bureaucratic process¹²⁰. According to a representative of DG Environment, the cost today is closer to €70 000.

The cost of **informing consumers** is likely to be low as the EU Ecolabel is already known and established. For that reason, it is assumed here to be 25% of the cost of introducing a new label such as in the case of origin.

Monitoring and enforcement is included in the fee paid by the participating businesses and will thus fall on the industry (see below).

Impact on industry

The main economic impacts on industry are dependent on the level of uptake. Assuming an uptake of 0.1%, which is above that of the clothing and textile sector, it would be equivalent to just two companies having their full line of products certified¹²¹. This appears to be a reasonable estimate given that, within the first 15 years, only 470 companies across all product groups

¹²⁰ 2008. Commission staff working document accompanying the Proposal for a regulation of the European Parliament and of the Council on a Community Ecolabel scheme. Impact assessment.COM(2008) 401 final, SEC(2008) 2119.

¹²¹ According to the European Association of Tanners, there were 1, 633 companies in the EU in 2009.

adopted the Ecolabel¹²². However, the stakeholder interviews revealed an interest within the industry, which indicates it is a conservative estimate. So, **for the purposes of this study, uptake is assumed to be between 0.1% and 1% of the industry equivalent to all the products marketed by 2–20 companies.** This report assumes a low uptake of the EU Ecolabel in the leather sector based on past experiences from the textile sector. However, given efforts in improving product criteria through the involvement of the JRC-IPTS, the increased attention that consumers are paying to environmental impacts of products and the interest identified in the industry, it is conceivable that uptake will be higher than for textiles. The main impact for these businesses would include:

- costs of certification, annual fees and cost of adapting labels for economic operators aiming to obtain the Ecolabel; and
- impacts on prices and sales of Ecolabelled leather products.

The costs associated with the Ecolabel include the **costs of certification** (which may involve substantial adaptation of some of the processes), including testing and verification, which is estimated to be €200–1 200 per company, and an annual fee of up to €350–15 000¹²³. Assuming businesses representing 0.1–1% of the European leather industry participated, the annual cost to them would be €700–30 000. As the label is voluntary, these costs will only fall on businesses that believe that the Ecolabel will offer them a net economic benefit. But given that this cost is only borne by businesses that see a commercial interest in the label, they will by definition be more than offset by rises in sale. The fact that some consumers stated they would be more likely to take such labels into account when shopping if they encountered them more often suggests that introducing Ecolabel criteria for leather products may mean some increase in sales from this consumer group.

Environmental impacts

Table 32 outlines the environmental impact of the Ecolabel (for all product groups as of 2008) for different degrees of take-up.

Table 32: Environmental impact of the Ecolabel

Resource saved	Saving		
	5% Take-up	20% Take-up	50% Take-up
Electricity, GWh	14 700	59 000	147 600
CO ₂ produced from energy use, tonnes	9 318 000	37 270 000	93 175 000
Water use, megalitres	12 285 000	49 138 000	122 846 000
Reduced hazardous substance use, tonnes	13 800	55 400	138 400
Material savings (other than hazardous substances), tonnes	530 700	2 122 700	5 306 700
Reduced discharges to water, tonnes COD	30 400	121 700	304 200
Reduced air pollution, tonnes	17 500	70 100	175 300

Source: 2008. Commission staff working document accompanying the Proposal for a regulation of the European Parliament and of the Council on a Community Ecolabel scheme. Impact assessment. COM(2008) 401 final, SEC(2008) 2119.

¹²² 2008. Commission staff working document accompanying the Proposal for a regulation of the European Parliament and of the Council on a Community Ecolabel scheme. Impact assessment. COM(2008) 401 final, SEC(2008) 2119.

¹²³ Website for the European Ecolabel: <http://ec.europa.eu/environment/ecolabel/how-to-apply-for-eu-ecolabel.html#>

As can be seen from Table 32, Ecolabelled products do have a sizeable positive environmental impact. However, for a single product group, with potentially limited take-up (especially in the initial phases), this impact is likely to be marginal.

Summary of impacts

Table 33: Summary of impacts – European Ecolabel

Costs		Benefits	
Cost of development (one-off)	€70 000	Hypothetical impact on sales of products with a limited environmental impact	Expected to be high but for a very small group of products [not costed]
Cost of informing consumers (one-off)	€3.1m Forms part of the general strategy of the Ecolabel		
Annual cost of monitoring and enforcement	Initial certification (one-off) €350–15 000 Annual fee €700–30 000	Environmental impact	Expected to be high but for a very small group of products [not costed]
Cost of adapting labels (one-off)	€652 000–6.5m <i>(assuming uptake of 0.1–1%)</i>	Impact on consumer information	Expected to be high but for a very small group of products [not costed]
Total one-off cost	€3.9m–9.8m	Total one-off benefit	N/A
Total annual cost	€700–30,000	Total annual benefit	Expected large increase in sales of a very small group of products + Neutral to small environmental and consumer impact
Cost–benefit		<p><u>Insufficient evidence for cost–benefit analysis</u></p> <p><u>Over a five-year period, costs are estimated to reach €4.1m–9.8m</u>¹²⁴</p> <p><u>This cost is equivalent to the value of a hypothetical 2.8–11.1%</u>¹²⁵ <u>increase in sales of leather products predicted to adopt the EU Ecolabel in the same five-year period (baseline 2011)</u></p>	

¹²⁴ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹²⁵ Hypothetical increase in EU sales of leather products predicted to adopt an EU Ecolabel in the same five-year period = cost over a five-year period/(total value of annual sales of leather products) (between 7.1 and 71m)/5

Table 34: Distribution of impacts – European Ecolabel

Stakeholder group/type of impact	Costs	Benefits	Aggregate impact
Public authorities	<u>Neutral to low negative (+/-)</u> <ul style="list-style-type: none"> • Cost of development • Cost of informing consumers 	N/A	<u>Neutral to low negative (-)</u>
Industry	<u>Neutral to low negative (+/-)</u> <ul style="list-style-type: none"> • Costs of adapting labels can be substantial for an individual enterprise • However, owing to the voluntary nature of the label, they will exclusively fall on economic operators who will benefit from labelling 	<u>Medium positive (+/+)</u> <ul style="list-style-type: none"> • Large expected gain to leather industry, but small expected uptake 	<u>Low positive (+)</u>
Consumers	N/A	<u>Low positive to neutral (+)</u> <ul style="list-style-type: none"> • There is evidence of consumer interest in environmentally friendly products • This will affect a very limited number of products 	<u>Neutral to low positive (+)</u>
Environment	N/A	<u>Neutral to low positive (+/-)</u> <ul style="list-style-type: none"> • Owing to limited uptake 	<u>Neutral to low positive (+/-)</u>
Aggregate impact			Low positive (+)

6.2.4 Unsubstantiated environmental claims

Baseline scenario

There are no reliable data about the size of the market for unsubstantiated environmental claims. From the stakeholder interviews, it appears that the market for environmentally friendly leather products is very small. Table 35 provides an overview of the size of the market for environmentally friendly leather products under different assumptions:

Table 35: Indicative numbers for the size of the market for environmentally friendly leather

		Estimate	Data source/calculation
A	Consumption of leather garments	€7.1bn	Eurostat Prodcom ¹²⁶
	Scenario		
B	Scenario 1: 1% of leather market	€71m	$B=0.01*A$
C	Scenario 2: 3% of leather market	€212m	$B=0.03*A$
D	Scenario 3: 5% of leather market	€353m	$B=0.05*A$

The area of unsubstantiated environmental claims is already under scrutiny at EU level. The first set of guidelines to the Unfair Commercial Practices Directive was issued in 2009 and included a detailed chapter on environmental claims¹²⁷. However, the issue is still perceived as unresolved among the industry stakeholders consulted in this study. The Danish consumer ombudsman also sees more work to be done (e.g. elaboration of national-level guidance documents)¹²⁸. The Unfair Commercial Practices Directive is due to undergo a review and, for this purpose, a roadmap was prepared by Unit A3 in DG Justice in June 2011. It stressed that a potential revision may 'better address specific issues such as financial services, [and] **environmental claims** [...]'¹²⁹ indicating that there is awareness of the problems in this area.

With regard to **standardisation work within the CEN**, a working group exists in the field of textiles (CEN/TC 248/WG 32: 'Use of the terms organic and other environmental marketing terms in the labelling of textiles and textile products') but not in the field of leather.

Analysis of impacts

Figure 23 outlines the conceptual understanding of the impacts associated with two similar ways of **providing guidance on tackling unsubstantiated environmental claims**.

1. Using the Unfair Commercial Practices Directive based on existing good practices
2. Encouraging standardisation work within CEN

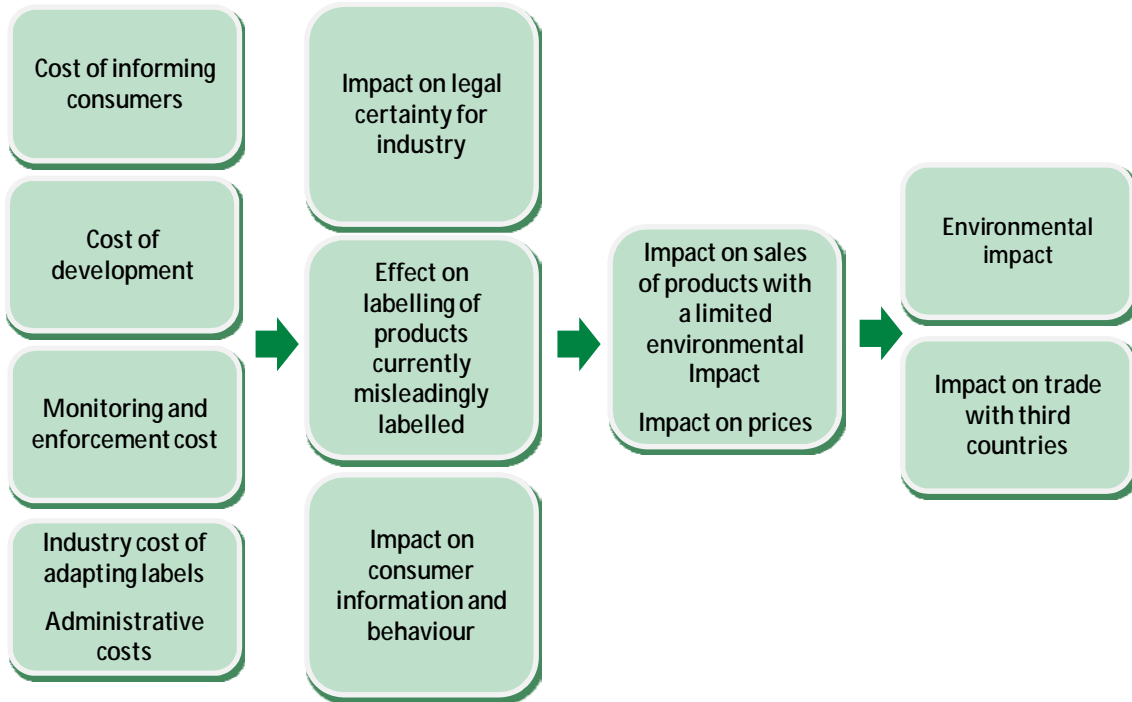
¹²⁶ See Annex 4.

¹²⁷ Brussels, 3 December 2009 SEC(2009) 1666 Commission Staff Working Document: Guidance on the Implementation/Application of Directive 2005/29/EC on Unfair Commercial Practices.

¹²⁸ Øe, Henrik, Danish Consumer Ombudsman. *Addressing Misleading Environmental Marketing: the Danish Experience and the Way Forward*, Presented at European Consumer Summit in Brussels on 29 May 2012. Available at:

¹²⁹ Environmental claims not in bold in original text: Roadmap. 2011 *Possible legislative revision of Directive 2005/29/EC on unfair commercial practices subject to the outcome of the consultation process*. Available at: http://ec.europa.eu/governance/impact/planned_ia/docs/2012_just_024_unfair_commercial_practices_directive_en.pdf

Figure 23: Unsubstantiated environmental claims



The two options are treated in the same section, as all impacts apart from the cost of development and associated monitoring and enforcement are identical.

The individual impacts on the different stakeholder groups are described in more detail in the sections below.

Impact on public authorities

The main economic impacts on public authorities are the costs of:

- development;
- informing consumers and producers; and
- monitoring and enforcement.

As for development costs, according to an expert involved in the **work of CEN**, in the area of textile products, the Technical Committee (TC) has worked on this issue for over five years, with a recent decision to develop guidance rather than a standard. According to the expert, the estimated **time required to develop such guidance**, if the TC is successful in developing it, would be at least two years. However, given that this work currently focuses solely on textile products, one would expect this period to be considerably longer for leather products, as new structures would need to be put in place. For the purposes of this study, twice the time has been assumed – four years.

Guidance document: An analysis of the use of the existing guidance document would be needed. This would include experiences from best practice countries where national guidance documents exist¹³⁰. As information on the current state of play of the implementation of the Directive is already being collected, this cost is likely to be limited. For the purposes of this study, it is assumed that two years will be enough.

¹³⁰ For example, Denmark, see: <http://www.consumerombudsman.dk/Regulatory-framework/dco-guides/Environmental-and-ethical-marketing>; and the United Kingdom, see: <http://www.defra.gov.uk/publications/files/pb13453-green-claims-guidance.pdf>

As no new labelling is introduced under this policy option, **informing consumers** is not a crucial aspect of the policy option. Nevertheless, the option would most likely need to involve individual authorities in Member States providing information to consumers (as well as industry) on how the guidance is implemented nationally. Overall, however, the costs of doing so are likely to be lower than those outlined for other options. An estimate could be €6.1m, which is half the cost estimate for the origin labelling. It is important to mention that this cost could be carried by the industry to a large extent.

Similarly, additional costs of **monitoring and enforcement** are likely to occur as it appears that the problem is exactly insufficient enforcement of existing rules. As for monitoring, national implementation schemes largely rely on market operators and consumer organisations to report breaches of the UCP. Weaknesses have been identified with regard to the European energy label in a study commissioned by ANEC (European consumer voice in standardisation) and the UK Department for Environment, Food and Rural Affairs¹³¹. This indicates that best practices in the area of enforcement should constitute an important part of a set of guidelines. There are no data available on the average cost of enforcement of the Directive across the EU27. However, the upper estimate of the cost of enforcing the energy label (€675 000–13 500 000) can be seen as indicative. In the case of an industry standard, it would large be up to businesses to enforce it. In case of the development of existing guidelines within the UCP, public authorities would carry a large part of the cost.

Impact on industry

The main economic impacts for the industry are likely to be:

- costs of adapting environmental labels to comply with improved control of unsubstantiated claims;
- cost of informing consumers;
- impacts on prices and sales of products with environmental labels;
- impact from simplified rules on businesses trading across borders within the EU; and
- international trade impacts.

The costs of **adapting labels** will fall on producers and retailers of leather products currently using labels containing unsubstantiated environmental claims. Assuming effective use of the guidance, this option should have an impact on a wide range of type II labels used by producers and retailers. There are no reliable estimates of the number of products with misleading claims currently on the market. Stakeholder consultation undertaken at an earlier point in the study did, however, suggest that 'greenwash' is a serious problem. At the same time, one of the consulted industry stakeholders noted that, as a result of increasing scrutiny by NGOs, the current trend is for larger economic operators to be more careful when using environmental labels, suggesting that the larger industry players are less likely to be using unsubstantiated claims. Table 36 provides an estimate of the total cost of relabelling.

¹³¹ Viegand and Maagøe. 2007. *A review of the range of activity throughout Member States related to compliance with the EU Energy Label regulations in those countries.* p. 3.

Table 36: Cost of relabelling environmentally friendly products

		Estimate	Data source	Assumption
A	Size of market for leather products (units)	€1.3bn	Eurostat Prodcom	Sold production is assumed to be a good indicator of consumption
B	Size of environmentally friendly leather market (units)	13m–65.2m	Stakeholder input: market is very small	1–5% of the market is environmentally friendly
C	Cost of relabelling per unit	€0.50	See calculation in Section 6.2.1	
Scenarios in costs of relabelling products currently mislabelled				
D	Total cost for scenario 1 (30% will need labelling)	€1.9m–9.8m	$B * C * 0.3$	
E	Total cost for scenario 2 (20% will need labelling)	€1.3m–6.5m	$B * C * 0.2$	
F	Total cost for scenario 3 (10% will need labelling)	€652 000–3.2m	$B * C * 0.1$	

The impact on **prices and sales** of products with environmental labels will depend on:

- whether improved control of unsubstantiated claims will allow producers and retailers of products with lower environmental impact to command higher prices;
- whether consumers currently purchasing products carrying labels with unsubstantiated environmental claims will change their purchasing habits as a result of better control of unsubstantiated claims; and
- whether improved control of unsubstantiated claims is likely to increase the size of the market for products with environmental labels.

In terms of prices, the consumer survey suggests that 34% of consumers are willing to pay more for products with lower environmental impact, whereas 45% would only choose such products if the prices were the same. So, although there is some evidence that producers could charge higher prices, this will depend on how effective the implementation of a guidance will be in eliminating unsubstantiated claims and hence raising the value and profile of the remaining labels. Assuming that the option was effective in eliminating some of the misleading claims, one could also expect a substitution effect to occur, where consumers who do take labels into account and who do show preference for products with environmental labels would switch from products where unsubstantiated claims have been eliminated to products with substantiated claims. This could see consumers becoming more likely to purchase products with more established and credible labels (such as for instance the EU Ecolabel).

Given the modest size of the market for environmentally friendly leather, it is also unlikely that this effect would translate into any substantial impacts in terms of **trade with third countries**.

The stakeholders did not indicate that different rules were applied in the Member States when it comes to unsubstantiated environmental claims. It can thus not be expected that there will be a major benefit from **simplification of rules**.

Other impacts

The environmental impact will be largely dependent on whether the policy option would result in a shift in production and consumption towards products with a lower environmental impact. When looking at the main reasons for not using environmental labels, 'lack of trust' comes in second but applies to less than 33% of consumers, indicating a higher interest in leather products with low environmental impact. With some unsubstantiated labels no longer in place, some consumers may switch from these products to products whose reduced environmental impact is based on scientific evidence. However, the option is likely to have at least a short-term adverse effect on the supply of products with environmental claims, as products with unsubstantiated claims will be excluded from the market. The most frequently mentioned reason for not taking environmental labels into account is that consumers do not encounter them (43%). As this is a problem that this policy option does not address, the expected effect is limited.

Summary of impacts

Table 37: Summary of impacts – unsubstantiated environmental claims

Costs		Benefits	
Cost of development (one-off)	UCP 2 years CEN 4 years [not costed]	Environmental impact	Some evidence of an impact [not costed]
Cost of informing consumers (one-off)	€6.1m	Benefit of simplified rules	No evidence of an impact
Annual cost monitoring and enforcement	€0.7m–13.5m	Trade with third countries	No evidence of an impact
Industry cost of adapting labels (one-off)	€6.5m–9.8m	Impact on sales of products with a low environmental impact	Some evidence of an impact [not costed]
		Benefit to consumers	Some evidence of an impact [not costed]
One-off cost	€6.8m–15.9m + 2–4 years for development	One-off benefit	None
Annual cost	€0.7m–13.5m	Annual benefit	Some evidence of environmental impact + Some evidence of benefit to consumers
Cost–benefit		<p><u>Insufficient evidence for cost–benefit analysis</u></p> <p><u>Over a five-year period, costs are estimated to reach €10.1m–83.4m</u>¹³²</p> <p><u>This cost is equivalent to the value of a hypothetical 2.9–4.7%</u>¹³³ <u>increase in sales of leather products with environmental labels in the EU in the same five-year period (baseline 2011)</u></p>	

¹³² Cost over a five-year period = total one-off cost + (total annual cost*5)

¹³³ Hypothetical increase in EU sales of leather products with an environmental label in the same five-year period = cost over a five-year period/(total value of annual sales of leather products with environmental labels) (between 7.1 and 35.3m)/5

Table 38: Distribution of impacts – unsubstantiated environmental claims

Stakeholder group/type of impact	Costs	Benefits	Aggregate impacts
Public authorities	<p><u>Medium negative (-)</u></p> <ul style="list-style-type: none"> Developing guidance is not likely to be costly A CEN standard could be costly Informing consumers is not a crucial aspect Monitoring and enforcement is likely to be expensive 	N/A	<p>UCP option <u>Low to medium negative (-/+)</u></p> <p>CEN option <u>Medium negative (-)</u></p>
Industry	<p><u>Neutral to low negative (+/-)</u></p> <ul style="list-style-type: none"> Voluntary nature of labels means that costs of adapting labels are limited to businesses with a commercial interest in the label and businesses with misleading labels 	<p><u>Low to medium positive (+)</u></p> <ul style="list-style-type: none"> Potential benefit from a restricted prevalence of type II labels Evidence of some limited positive impact on prices and sales of products with environmental labels 	<u>Low positive (+/-)</u>
Consumers	<p><u>Neutral (+/-)</u></p> <ul style="list-style-type: none"> Limited evidence of costs being passed on to consumers 	<p><u>Neutral to low positive (+)</u></p> <ul style="list-style-type: none"> Evidence of interest among consumers for buying environmentally friendly products But leather market very small 	<u>Neutral to low positive (+)</u>
Environment	N/A	<p><u>Neutral (+/-)</u></p> <ul style="list-style-type: none"> Given the small size of the market for environmentally friendly leather products 	<u>Neutral (+/-)</u>
Aggregate impact			Neutral to low negative (-)

6.2.5 Unsubstantiated social claims

Baseline scenario

There are very little data to inform the baseline for the current situation of social claims. According to the consulted stakeholders, it is significantly less widespread than environmental claims. For the purposes of this study, an estimate of 10% of the market for environmental claims is used as a reference point.

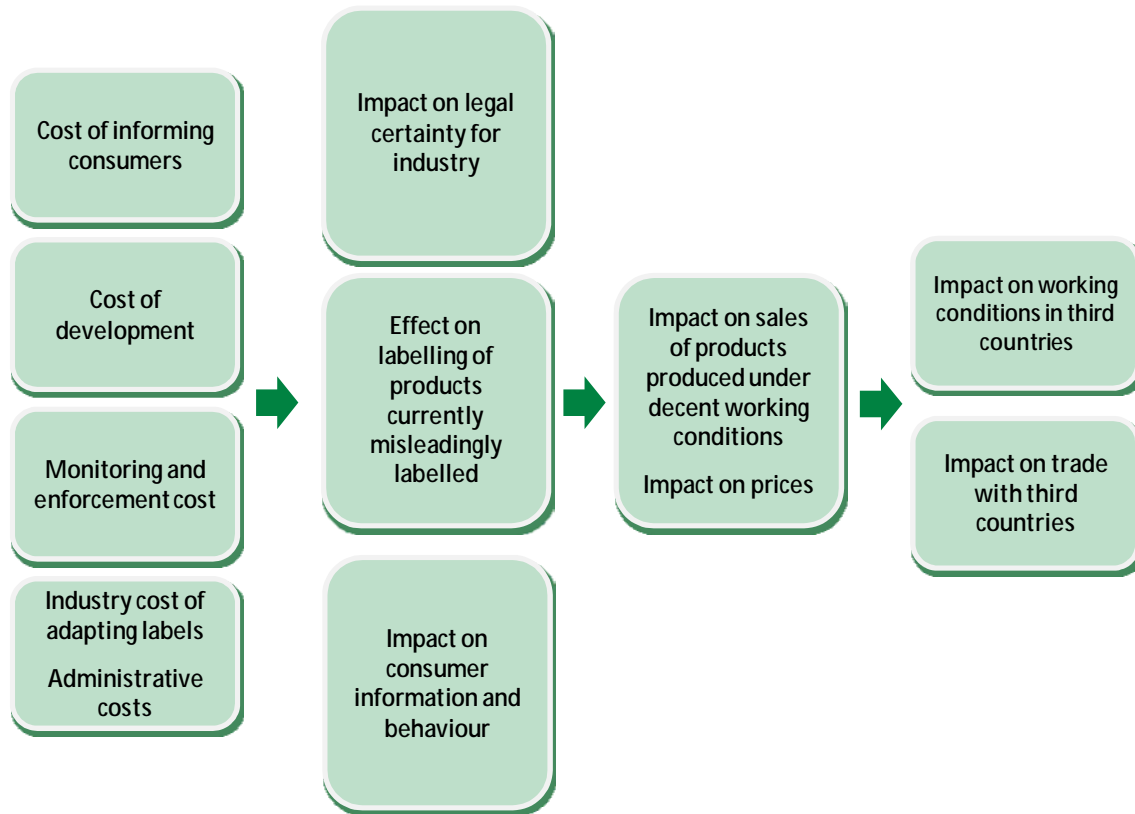
Table 39: Indicative numbers for the size of the market for leather produced under fair working conditions

		Estimate	Data source/calculation
A	Size of market for environmentally friendly leather products – high estimate	€352.6m	See Table 35
B	Size of market for environmentally friendly leather products – low estimate	€70.5m	
	Scenario		
C	Low estimate of market for social claims	€7.1m	$C=0.1*A$
D	High estimate of market for social claims	€35.3m	$D=0.1*B$

Analysis of impacts

Figure 24 outlines the conceptual understanding of the impacts associated with providing guidance on tackling unsubstantiated social claims using the Unfair Commercial Practices Directive based on existing good practices.

Figure 24: Unsubstantiated social claims



This policy option should be seen as a possible supplement to the above policy option regarding using the Unfair Commercial Practices Directive regarding environmental claims. The cost of informing consumers and producers will not increase substantially by including social claims in a campaign. It is assumed here not to exceed 10% of the cost for environmental labelling. Already in some Member States the implementation of the UCP refers to environmental and ethical claims together¹³⁴. There are two impacts that are similar to misleading environmental claims and where the different size of the two markets is the main difference. These include:

- monitoring and enforcement; and
- costs of adapting social labels to comply with improved control of unsubstantiated claims.

As it is assumed that the market for social claims is approximately 10% of the market for environmental claims, cost estimates can be calculated for social labelling. The remaining impacts include:

- developing the guidance;
- impact on prices and sales;
- consumer information benefit; and
- trade with third world countries.

As was the case for the policy option focusing on controlling environmental claims using the UCP, the costs of developing a guidance are expected to be greater as this is not specifically included in the current guidance. However, no estimates of this cost are available. A

¹³⁴ See, for example, Denmark: <http://www.consumerombudsman.dk/Regulatory-framework/dcoguides/Environmental-and-ethical-marketing>

conservative estimate of the time needed to develop a set of guidelines on ethical claims would be four years. This matches the time estimated for a standard on environmental claims to be completed within the CEN.

In terms of **consumer benefit of improved labelling**, the results of the consumer survey show that most consumers have a preference for products that have been produced under adequate and fair working conditions, and 40% are willing to pay a higher price for such products. The remaining 42% of consumers do prefer such products, but are not willing to pay more. If labelling containing unsubstantiated social claims were to be removed from selected garments, one could expect some consumers to switch to products with a label. However, the consumer survey suggests that consumers rarely take social labels into account when shopping; only 13% say they always take social labels into account. This suggests that such a substitution effect is likely to be limited.

With regard to sales, the consumer survey shows that, although consumers seem to have a preference for garments that have been produced under adequate social conditions, few of them take such labels into account when shopping, with the main reason being the fact that they do not encounter or look at such labels (potentially reflecting the fact that these labels are still rare). Not trusting labels is the third most commonly cited reason (chosen by 22% of respondents), and one could expect that the policy option could have an effect in making these consumers more willing to base their purchasing decisions on social labelling, thus leading to higher sales. At the same time, the policy option is not likely to make such labels more prevalent, meaning that any positive change in the size of the market for products with (substantiated) social labels is likely to be small. Given the small starting point of the market and the limited scope for growth, any impact on **trade with third countries** is likely to be limited.

Impact on working conditions

The impact on working conditions can materialise in as far as there is a substantial shift towards more socially responsible leather production as a result of the policy option. The evidence collected suggests that this is unlikely to be the case. Despite some demand from the point of view of consumers, social labels appear to be rare, and improved control of unsubstantiated claims is unlikely to significantly increase the market size for garments bearing such labels. This is not to say that social labels do not have impact on, for instance, the prevalence of child labour and welfare in third countries. Existing studies, such as those by Chakrabarty and Grote (2007) and Hilowitz (1997), note that social labelling schemes can have a positive impact. However, the consumer evidence suggests that this policy option is likely to have limited impact on the use of such schemes.

Summary of impacts

Table 40: Summary of impacts – unsubstantiated social claims

Costs		Benefits	
Cost of development (one-off)	4 years [not costed]	Environmental impact	Some evidence of an impact [not costed]
Cost of informing consumers (one-off)	€0.6m	Benefit of simplified rules	No evidence of an impact
Annual cost of monitoring and enforcement	€0.07m–1.35m	Trade with third countries	No evidence of an impact
Industry cost of adapting labels (one-off)	€65 000–1m	Impact on sales of products with a low environmental impact	Some evidence of an impact [not costed]
		Benefit to consumers	Some evidence of an impact [not costed]
One-off cost	€0.7m–1.6m 4 years for development	One-off benefit	N/A
Annual cost	€0.07m–1.35m	Annual benefit	Evidence of limited benefit to consumers and increase in sales for businesses Little evidence of social impact
Cost–benefit		<p><u>Insufficient evidence for cost–benefit analysis</u> <u>Over a five-year period, costs are estimated to reach €1m–8.3m</u>¹³⁵</p> <p><u>This cost is equivalent to the value of a hypothetical 2.9–4.7%</u>¹³⁶ <u>increase in sales of leather products with social labels in the EU in the same five-year period (baseline 2011)</u></p>	

¹³⁵ Cost over a five-year period = total one-off cost + (total annual cost*5)

¹³⁶ Hypothetical increase in EU sales of leather products with a social label in the same five-year period = cost over a five-year period/(total value of annual sales of leather products with social labels) (between 7.1 and 35.3m)/5

Table 41: Distribution of impacts – unsubstantiated social claims

Stakeholder group/type of impact	Costs	Benefits	Aggregate impact
Public authorities	<u>Low negative (+/-)</u> Developing guidance is expected to be more costly than for environmental claims but not significant	N/A	<u>Low negative (+/-)</u>
Industry	<u>Neutral/low negative (+/-)</u> Voluntary nature of labels means that costs of adapting labels are limited	<u>Neutral/low positive (+/-)</u> Limited impact on the market for products with reduced social impact suggests that the overall impact on workers would be limited	<u>Neutral (+/-)</u>
Consumers	<u>Neutral (+/-)</u> Limited evidence of costs being passed on to consumers	<u>Neutral to low positive (+/-)</u> Evidence of willingness to pay for products produced under fair working conditions Few consumers base their purchasing decisions on social labels	<u>Neutral to low positive (+/-)</u>
Working conditions	<u>N/A</u>	<u>Neutral/low positive (-/+)</u> Lack of availability of labels makes a significant effect unlikely	<u>Neutral to low positive (-/+)</u>
Aggregate impact			<u>Neutral (-/+)</u>

7.0 Comparison of options

The previous section provided an overview of the potential impacts of different policy directions, based on the problem definition part of the study. Although the term 'policy options' was applied in the assessment, these options were formulated in a broad manner, meaning that the assessment provided indications as to the desirability of individual options based on potential impacts, rather than a detailed impact assessment.

The assessment drew in part on a consumer survey and in part on secondary sources with regard to the impacts on industry, public authorities and the environment. It is important to note that, in many areas, consumers expressed preferences for particular products, as well as noting their willingness to pay higher prices for these products (i.e. products with a particular country of origin or limited environmental impact). At the same time, as Figure 25 shows, these issues are not necessarily considered to be crucial information to be provided on labels. Therefore, it is important to be cautious when interpreting consumer responses regarding preference for certain products and willingness to pay for them.

Figure 25: Most important information on labels

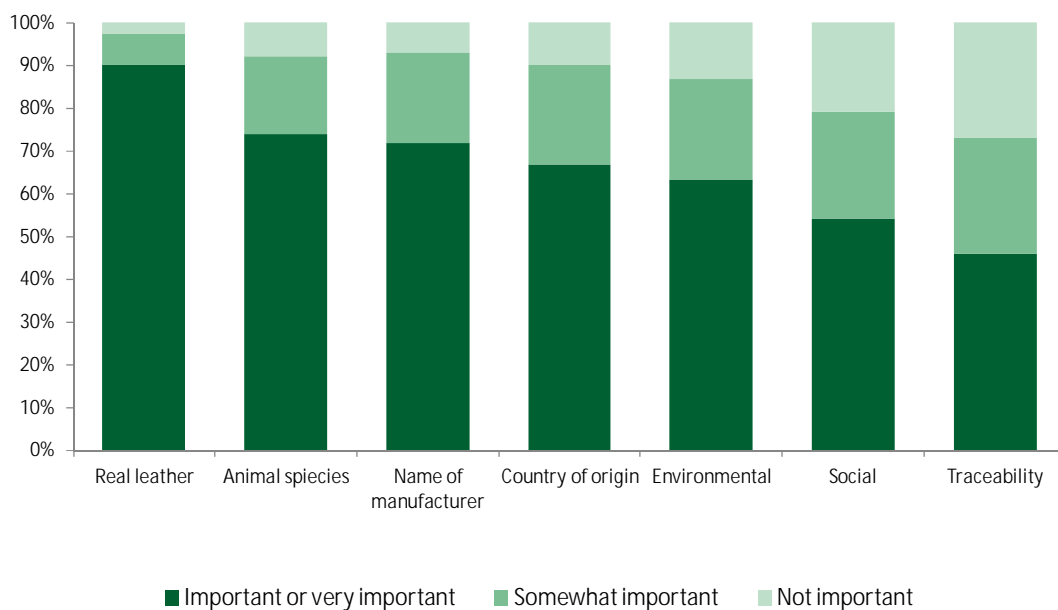


Table 42 summarises the results of the assessment presented in the previous section. The options generally do not appear to have high impacts. The above analysis suggests that leather authenticity labelling could have a positive overall impact. This could also be the case for including leather within the scope of the European Ecolabel, although the evidence on benefits is inconclusive in that context. Regarding country of origin, the evidence on benefits is inconclusive. Given the level of stakeholder disagreement and the potential risk to international trade, more evidence would be required to provide a rationale for action.

Any options would need to be further developed for a more comprehensive impact assessment to be conducted. Nevertheless, the above assessment suggests that they are the policy directions that could be pursued further. Options concerning animal species labelling and tackling of unsubstantiated social and environmental claims appear less advantageous,

potentially because of lack of demand in the former case and as a result of social labels still being rare in the latter.

Table 42: Comparison of policy options

Policy option	Desirability	Feasibility	Cost–benefit
Country of origin – voluntary origin labelling with a regulated origin definition	Neutral	Neutral	Insufficient evidence
Authenticity label – voluntary leather labelling system	High positive	High positive	High positive
Authenticity label – mandatory leather labelling system	Medium positive	Low negative	Medium positive
Authenticity label – tackling unsubstantiated social claims using the Unfair Commercial Practices Directive based on existing good practices	High positive	High positive	High positive
Animal species – voluntary label indicating the species of the animal(s) of which a leather product is derived	Low negative	High positive	Low negative
Animal species – mandatory label indicating the species of the animal(s) of which a leather product is derived	Low to medium negative	Low positive	Low negative
Environmental performance – tackling unsubstantiated social claims using the Unfair Commercial Practices Directive based on existing good practices Environmental performance – encouraging standardisation work within CEN	Neutral to low negative	Medium positive	Insufficient evidence
Environmental performance – include provisions for leather products in the European Ecolabel	Neutral to low negative	Medium positive	Insufficient evidence
Unsubstantiated social claims – tackling unsubstantiated social claims using the Unfair Commercial Practices Directive based on existing good practices	Low positive	High positive	Insufficient evidence

8.0 Conclusions and recommendations

The overview of stakeholder perceptions concerning different forms of leather labelling yielded a varied picture. Although there is a general consensus concerning the desirability of an authenticity label, stakeholders are more divided on issues such as environmental labelling, country of origin labelling or labelling of animal species.

The resulting policy options took these findings into account. A range of potential policy directions have been set out in the domains of authenticity, animal species labelling as well as unsubstantiated environmental and social claims. The options reflect the complexities of the issues and are based primarily around voluntary labelling schemes and tackling misleading claims.

The overview of potential impacts suggested action in the area of authenticity. A voluntary label appears to offer the best outcome. It does not appear to be cost-beneficial to augment such a label with an animal species designation.

The inclusion of leather products in the scope of the EU Ecolabel appears to be feasible and desirable. However, benefits will depend on the level of uptake.

The area of tackling misleading claims could have a limited positive impact. Although implementation of a scheme could potentially be challenging, it is not certain that guidance issued at EU level would be as effective as existing national-level guidance documents. A transversal approach, in which a guidance was made for several product types and sectors might be more cost-effective. Country of origin appears to be potentially costly to implement with uncertain benefits. There are significant challenges associated with its implementation, although existing systems in other countries indicate that it is possible.

Regardless of policy direction, educating consumers about the meaning and value of potential labelling schemes and ensuring industry buy-in to these schemes is likely to be crucial to their ultimate success.

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10.0 Annexes

10.1 Annex 1: Case study interview guide

Interview guide

Introduction

Thank you for agreeing to participate in this interview.

Matrix Insight Ltd has been tasked by the European Commission (DG ENTR) to carry out a Study on Assessing the Feasibility of a Leather Labelling System at European level. As part of this study we conduct interviews with stakeholders in selected Member States to understand the main issues relating to labelling of leather products.

This is an important study aiming to contribute to further reinforcing the European internal market. If you have further questions about this study, please contact László Kojnok at the European Commission (laszlo.kojnok@ec.europa.eu).

[OPTIONAL: ASK ONLY IF INTERVIEWS ARE TO BE RECORDED - I/we would like to tape record the interview so that we have an accurate record of everything you say. Our conversation will then be typed out onto paper and the tape will be destroyed. Are you happy for me to tape-record the interview?]

Do you have any questions?

Are you happy for me to continue with the interview?

Background	Type of answer	Response
Name		Pre-fill
Title		Pre-fill
Member State		Pre-fill
Category (industry/consumer association/public authority)		Pre-fill
Industry subgroup (i.e. retailer, manufacturer)		Pre-fill
Date and type of interview (face-to-face/phone)		Pre-fill
Interviewer		Pre-fill
Introduction		
1) What is your current role in your organisation?	Qualitative	
2) To what extent does this role concern issues relevant to labelling of leather products?	Qualitative	
I. Problem definition/impact analysis: Origin labelling		
3) Which mandatory and voluntary labelling schemes concerning country of origin of leather and leather products are applicable in your country? Prompt: What have been the drivers behind introducing these schemes? Prompt: What is your impression of the level of compliance? Prompt: If there are no mandatory rules on origin labelling of leather products, what proportion of leather products sold in your country carry an indication of origin?	Qualitative	
4) What is the impact of the current country of origin labelling applicable in your country in terms of: <ul style="list-style-type: none"> • Responding to consumer information needs? • Facilitating trade within and outside of the EU? • Implementation, compliance and enforcement costs? Prompt: Can you give a quantitative estimate of the cost of any obstacles to trade within between EU Member States?	Qualitative/Quantitative	

<p>5) What actions at EU level could improve the current situation and what could be their costs and benefits?</p> <p>Prompt: Introduction of effective enforcement of misleading use of country of origin designation/clarifying or qualifying country of origin definitions Prompt: The introduction of a mandatory harmonised country of origin label Prompt: Supplementing a country of origin label with traceability labelling</p>	Qualitative/quantitative	
<p>If a common European country of origin definition was to be introduced, what should it be based on?</p> <p>Prompt: What should a country of origin label include? Prompt: Which products should it apply to (all, domestic, foreign)? Which Prompt: would be the appropriate appellation of European products (e.g. "made in France/Slovakia/Italy etc. or Made in EU"</p>	Qualitative	
<p>6) What could be the costs and benefits of a mandatory system of harmonised country of origin labelling</p>	Qualitative/quantitative	
<p>7) How would the costs and benefits change if the country of origin label was to also include full traceability (i.e. identification of individual manufacturers)?</p> <p>Prompt: Costs and benefits associated with identification of manufacturers</p>	Qualitative	
II. Problem definition/impact analysis: Environmental labelling and social labelling		
<p>8) Which voluntary schemes concerning social and environmental labelling of leather and leather products are currently used in your country?</p> <p>Prompt: What national and international schemes are you familiar with?</p>	Qualitative	
<p>9) What is the impact of the current voluntary environmental and social labelling systems in terms of:</p> <ul style="list-style-type: none"> • Responding to consumer information needs? • Facilitating trade within and outside of the EU? • Implementation, compliance and enforcement costs? 	Qualitative/Quantitative	

<p>Prompt: Is the industry uptake of voluntary labels hampered by excessively strict requirements?</p> <p>Prompt: Do national or regional labels constitute a competitive advantage for companies from that country/region?</p> <p>Prompt: Can you give a quantitative estimate of the cost of any obstacles to trade within between EU Member States?</p>		
<p>10) What kind of action at EU level could improve the current situation and what could be their costs and benefits?</p> <p>Prompt: Extending the current European label to cover leather goods beyond footwear.</p> <p>Prompt: Support and/or coordination of existing voluntary schemes</p> <p>Prompt: Supporting European definition of environmentally friendly leather goods</p> <p>Prompt: Supporting European definition of sustainable or socially responsible production</p>	Qualitative/quantitative	
<p>11) What could be the costs and benefits of a mandatory system of environmental labelling?</p>	Qualitative/quantitative	
<p>12) What could be the costs and benefits of a mandatory system of social labelling?</p>	Qualitative/quantitative	
<p>III. Problem definition/impact analysis: Authenticity labelling of leather goods ('real leather')</p>		
<p>13) Which mandatory and voluntary labelling schemes concerning authenticity of leather products (identification as 'real leather') and skins or hides (unfinished leather) are used in your country?</p> <p>Prompt: How are false or misleading indications or descriptions regarding leather addressed?</p> <p>Prompt: Do these apply to all leather products (i.e. leather 'splits' - croute in French, Serraje in Spanish, Spalt in German)</p>	Qualitative	
<p>14) What is the impact of the current labelling of authenticity of leather products and raw skins or hides (unfinished leather) in terms of:</p>	Qualitative/Quantitative	

<ul style="list-style-type: none"> • Responding to consumer information needs? • Facilitating trade within and outside of the EU? • Implementation, compliance and enforcement costs? <p>Prompt: Issues associated with labelling of “non-textile parts of animal origin” in latest Regulation</p> <p>Prompt: Can you give a quantitative estimate of the cost of any obstacles to trade within between EU Member States?</p>		
<p>15) How big do you estimate the proportion of the market to be for products carrying misleading leather labels (i.e. non-leather products and raw leather with a leather label)?</p>	Quantitative	
<p>16) What are the costs to enterprises associated with misleading leather labels?</p>	Quantitative	
<p>17) What kind of action at EU level could improve the current situation and what could be their costs and benefits?</p> <ul style="list-style-type: none"> • To enterprises • To public authorities • To consumers <p>Prompt: European definition of authentic leather (making sure that all countries, which have rules in the field have the same rules)</p> <p>Prompt: Voluntary label legally protected from fraudulent use (similar to a protected trade mark)</p> <p>Prompt: Mandatory system of harmonised labelling</p> <p>Prompt: Should the footwear directive 94/11/EC be taken as a blueprint for a new leather label?</p>	Qualitative/quantitative	
<p>18) What could be the costs and benefits of a mandatory system of harmonised labelling of leather authenticity?</p>	Qualitative/quantitative	
<p>IV. Problem definition/impact analysis: Animal species labelling of leather goods ('which kind of leather')</p>		
<p>19) Which mandatory and voluntary labelling schemes concerning animal</p>	Qualitative	

species labelling of leather products and raw leather are applicable in your country?		
<p>20) What is the impact of the current labelling of animal species of leather products and raw leather in terms of:</p> <ul style="list-style-type: none"> • Responding to consumer information needs? • Facilitating trade within and outside of the EU? • Implementation, compliance and enforcement costs? <p>Prompt: Can you give a quantitative estimate of the cost of any obstacles to trade within between EU Member States?</p>	Qualitative/Quantitative	
21) What are the costs to enterprises associated with absent or misleading animal of origin labels?	Quantitative	
<p>22) What kind of action at EU level could improve the current situation and what could be their costs and benefits?</p> <p>Prompt: European definition of animal species leather label Prompt: Voluntary label legally protected from fraudulent use Prompt: Mandatory system of harmonised labelling</p>	Qualitative/quantitative	
23) What could be the costs and benefits of a mandatory system of harmonised labelling of animal species label?	Qualitative/quantitative	
V. Closing Remarks		
24) Have economic operators experienced legal difficulties in relation to proving the authenticity or country of origin of their products in any Member States?	Qualitative	
[ask only public authorities]	Qualitative/quantitative	
25) What have been the experiences concerning the labelling of products in other sectors in your country? What have been the costs and benefits associated with it?		
26) Are there any new national initiatives concerning labelling of leather	Qualitative	

products and raw leather planned in your country?		
27) Do you have any further questions for us? Other comments?	Qualitative	
28) Are there any sources you think it would be particularly useful for us to look at? Prompt: Do you know of any sources concerning labelling rules from outside of the EU, which could be useful to this study?	Qualitative	

10.2 Annex 2: Consumer survey questionnaire

The following is preliminary draft of the consumer survey. This draft will be revised following the review meeting and further consultation with the contractors implementing the survey.

Introduction Text

Matrix Insight/ORC International are currently conducting a study for the European Commission on the labelling of leather and textile products in Europe. The purpose of this survey is to inform the study about the benefits to consumers of different types of labelling. Your answers will be treated anonymously. The information you provide will be used for research purposes only, combined and analysed with the answers of many other people.

This is a genuine research survey and no attempt will be made to sell anything to you.

Your contribution is greatly appreciated. The survey should take you approximately 10 minutes to complete.

1. Please record your gender

- Male
- Female

2. Please record your age group

- 18-34 years old
- 35-54 years old
- 55+ years old

3. Which of the following best describes where you live?

UK:

- East of England
- London
- Midlands
- North East Yorkshire
- North West
- Northern Ireland
- Scotland
- South East
- South West
- Wales

Sweden:

- North
- Middle
- East
- West
- South East
- South

Italy:

- North western
- North eastern
- Centre Italy
- Southern Italy
- Islands

Spain:

- Barcelona Metropolitan
- North East
- East
- South
- Madrid Metropolitan
- Centre
- North West
- North

Germany:

- Hamburg/Bremen/ Schleswig-Holstein/ Niedersachsen
- Nordrhein-Westfalen
- Hessen/Rheinland-Pfalz/ Saarland
- Baden-Wuerttemberg
- Bayern
- Berlin
- Mecklenburg-Vorpommern/Brandenburg/Sachsen-Anhalt
- Thüringen/Sachsen

France :

- Région Parisienne
- Nord-Picardie
- Champagne-Alsace
- Normandie-Bretagne
- Touraine-Charentes
- Bourgogne-Auvergne
- Alpes-Jura
- Provence-Languedoc
- Pyrénées-Aquitaine

Poland

- CENTRALNY
- POLNOCNO-ZACHODNI
- POLNOCNY
- POLUDNIOWO-ZACHODNI
- POLUDNIOWY
- WSCHODNI

4. On average, how often do you shop for clothing?

- Once a week or more often
- Once a month
- Once every few months
- Less often than once every few months

Labelling in general

5. The following information could be included on a label attached to a product. Please rate each type of information according to how important it is to you.

(Scale: Very important, Important, Somewhat important, Not important and should not be included on the label)

- For clothing and textile products
 - Country of origin
 - Information stating where different stages of production took place
 - Name of manufacturer
 - Size
 - Care instruction
 - Information concerning allergenic substances
 - Information concerning flammability
 - Information concerning environmental impact
 - Information concerning impact on people involved in production
- For leather products
 - Country of origin
 - Information explaining different stages of production
 - Name of manufacturer
 - Information certifying a product is made of real leather
 - Information on animal species
 - Information concerning environmental impact
 - Information concerning impact on people involved in production

Country of origin labelling

6. Imagine that you are deciding between two products. The products are made in two different countries but are otherwise identical.

- For clothing and textile products, which would apply to you?

(Choose one of the following)

- I have a preference for products to be produced in certain countries and I would be prepared to pay over 10% more for a product made in a country of my preference
- I have a preference for products to be produced in certain countries and I would be prepared to pay up to 10% more for a product made in a country of my preference
- I have a preference for products to be produced in certain countries and I would choose the product made in a country of my preference if the prices of both products were the same
- I don't have a preference for products to be produced in certain countries

- For leather products, which would apply to you?

(Choose one of the following)

- I have a preference for products to be produced in certain countries and I would be prepared to pay over 10% more for a product made in a country of my preference
- I have a preference for products to be produced in certain countries and I would be prepared to pay up to 10% more for a

product made in a country of my preference

- I have a preference for products to be produced in certain countries and I would choose the product made in a country of my preference if the prices of both products were the same
- I don't have a preference for products to be produced in certain countries

If "no country preference" skip to question 10

7. Are you currently taking "made in" (country) labels into account when shopping

a. for textile and clothing products?

- Always
- Sometimes
- Never

b. for leather products?

- Always
- Sometimes
- Never

If "always" skip to question 9

8. Please indicate the main reason(s) why you do not always take "made in" (country) labels into account when shopping.

(Choose one or more of the following)

- For clothing and textile products
 - I do not understand what the labels mean
 - I do not trust the information on the labels
 - I rarely encounter such labels
 - I do not look at such labels
 - Other reason
- For leather products
 - I do not understand what the labels mean
 - I do not trust the information on the labels
 - I rarely encounter such labels
 - I do not look at such labels
 - Other reason

9. Please indicate the main reason(s) why you take "made in" labels into account when shopping.

(Choose one or more of the following)

For clothing and textile products

- c. I link "made in" certain countries with better quality
- d. I link "made in" certain countries with less environmental impact
- e. I link "made in" certain countries with better working conditions
- f. I want to avoid products from certain countries
- g. I want to support local industry
- h. Other reason

For leather products

- i. I link “made in” certain countries with better quality
- j. I link “made in” certain countries with less environmental impact
- k. I link “made in” certain countries with better working conditions
- l. I want to avoid products from certain countries
- m. I want to support local industry
- n. Other reason

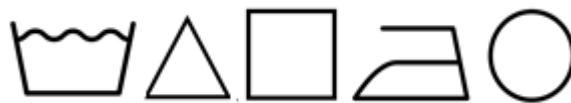
Care labelling

10. In your household, are you responsible for caring for clothing (i.e. laundry, drying, ironing etc.)?

- Yes, I am the only one responsible
- Yes, mainly
- Yes, but only to a limited extent
- No, not at all

11. Please indicate to what extent care instructions on clothing labels influence your purchasing decisions.

- Very much
- To some extent
- A little
- Not at all



12. How would you describe your understanding of the care symbols (such as those shown above) which are shown on the labels of most clothing?

- Very good understanding
- Good understanding
- Basic understanding
- No understanding

If “very good understanding”, skip to question 14

13. Please indicate to what extent better understanding of care symbols would change the way you care for textile and clothing products:

- Very much
- To some extent
- A little
- Not at all

Size designation

14. Do you know your body measurements (i.e. chest, bust, waist)?

- Yes, I know most of my measurements
- Yes, I know some of my measurements

- No, I don't know any of my measurements

15. How often have you ordered clothing through a catalogue or online over the last year?

- Often (more than 5 times per year)
- Sometimes (2 to 5 times per year)
- Rarely (once a year or less)
- Never

If "rarely" or "never", skip to question 17A

16. How often did you have to return an ordered item because it did not fit you?

- Often
- Sometimes
- Rarely
- Never

17. A

Imagine that all labels on textile and clothing products in Europe carried an additional indication of size based on body measurements.

(Please indicate which of the following apply to you)

- A. I would be more confident buying from a mail order catalogue or online
(if yes E will appear in 17 B)
- B. I would be more confident buying from a different country
(if yes F will appear in 17 B)
- C. I would be more confident buying clothing for others
(if yes G will appear in 17 B)
- D. It would not make any positive difference for me.
(if yes skip to question 18)

17. B

(Please indicate which of the following apply to you)

- E. I would buy from a mail order catalogue or online more
- F. I would buy clothes when I am abroad more often
- G. I would buy more clothing for others
- H. I would buy more clothing for others

Environmental performance

18. Imagine that you are deciding between two products. One of the products is described as having a lower environmental impact than the other. Otherwise the two products are identical.

(Choose one of the following)

- For clothing and textile products, which would apply to you:
 - I would be prepared to pay over 10% more for the environmentally

friendly product

- I would be prepared to pay up to 10% more for the environmentally friendly product
- I would choose the environmentally friendly product if prices of both products were the same
- Environmental impact would not affect the decision

(Choose one of the following)

- For leather products, which would apply to you:
 - I would be prepared to pay over 10% more for the environmentally friendly product
 - I would be prepared to pay up to 10% more for the environmentally friendly product
 - I would choose the environmentally friendly product if prices of both products were the same
 - Environmental impact would not affect the decision

19. When shopping, do you consider labels that contain information about environmental impact

- for clothing and textile products?
 - Always
 - Sometimes
 - Never
- for leather products?
 - Always
 - Sometimes
 - Never

If “always” skip to question 21

20. Please indicate the main reason(s) why you do not always consider labels that contain information about environmental impact:

(Choose one or more of the following)

- For clothing and textile products
 - I do not understand what the labels mean
 - I do not trust the information on the labels
 - I rarely encounter such labels
 - I do not look at such labels
 - Other reason
- For leather products
 - I do not understand what the labels mean
 - I do not trust the information on the labels
 - I rarely encounter such labels
 - I do not look at such labels
 - Other reason

Social Conditions

21. Imagine that you are deciding between two products. One of the products is described

as having been produced under adequate and fair working conditions. Otherwise the two products are identical.

(Choose one of the following)

- For clothing and textile products, which would apply to you:
 - I would be prepared to pay over 10% more for the product produced under adequate and fair working conditions.
 - I would be prepared to pay up to 10% more for the product produced under adequate and fair working conditions.
 - I would choose the product produced under adequate and fair working conditions if prices of both products were the same
 - The working conditions under which the product has been produced would not affect the decision

(Choose one of the following)

- For leather products which would apply to you:
 - I would be prepared to pay over 10% more for the product under adequate and fair working conditions
 - I would be prepared to pay up to 10% more for the product under adequate and fair working conditions
 - I would choose the product under adequate and fair working conditions if prices of both products were the same
 - The working conditions under which the product has been produced would not affect the decision

22. When shopping, do you consider labels that contain information about working conditions

- for clothing and textile products?
 - Always
 - Sometimes
 - Never
- for leather products?
 - Always
 - Sometimes
 - Never

In case of "always" skip to question 24

23. Please indicate the main reason(s) why you do not always consider labels that contain information about working conditions

(Choose one or more of the following)

- For clothing and textile products
 - I do not understand what the labels mean
 - I do not trust the information on the labels
 - I rarely encounter such labels
 - I do not look at such labels
 - Other reason
- For leather products

- I do not understand what the labels mean
- I do not trust the information on the labels
- I rarely encounter such labels
- I do not look at such labels
- Other reason

Authenticity labelling of leather products

24. When purchasing leather products, are you ever unsure whether the product is made of genuine leather?

- Often
- Sometimes
- Rarely
- Never
- I never purchase leather products

If “rarely”, “never” or “I never purchase leather products” skip to question 26

25. Imagine that you are deciding between two products. One of the products has a label certifying that it is made of authentic leather, otherwise the products appear identical. Which would apply to you:

(Choose one of the following)

- I would be prepared to pay over 10% more for the product with the label
- I would be prepared to pay up to 10% more for the product with the label
- I would choose the product with the label if the prices of both products were the same
- The label would not affect the decision

Animal species labelling

26. To what extent would a label specifying animal species from which a leather product was made affect your decision to purchase that product?

- It would always affect my decision
- It would affect my decision only for specific products or animal species
- It would not affect my decision

Information Delivery

27. Would you find the opportunity to obtain information on your garment via electronic means (by scanning a barcode in the shop or using a mobile device) to be beneficial?

- Yes, very beneficial
- Yes, beneficial
- Yes, somewhat beneficial
- No, not beneficial

Closing remarks

28. What other information would you like to see on physical labels on textile and clothing products or leather products?

Open question

We have now reached the end of the study. We'd just like to thank you for your time and contribution. This study was conducted in accordance with the UK Market Research Society's Code of Conduct (www.mrs.org.uk).

10.3 Annex 3: List of stakeholders contacted and consulted

The tables below outline the national-level and EU-level stakeholders contacted and consulted to date,

Geography	Organisation type	Organisation	Contacted/Consulted
Global	Industry association	International Fur Trade Federation (IFTF)	Consulted
Global	Business	Nike	Consulted
Global	Business	H&M	Consulted
Global	Existing Voluntary scheme	Leather working group	Consulted
EU	Industry association	COTANCE	Consulted
EU	Industry association	AEDT	Consulted
EU	Industry association	European Branded Clothing Alliance (EBCA)	Consulted
EU	Consumer association	BEUC	Consulted
EU	Consumer association	ANEC	Contacted
EU	Environmental body	European Environmental Bureau (EEB)	Consulted
EU	Industry association (Comparison sector)	Association for Soaps, Detergents and Maintenance Products (AISE)	Contacted
EU	Industry association (Comparison sector)	The European Cosmetics Association (COLIPA)	Contacted
DE	Consumer association	StiftungWarentest	Contacted
DE	Consumer association	VerbraucherzentraleBundesverband - vzbv	Contacted
DE	Industry association	VDL - Verband der DeutschenLederindustrie	Contacted
DE	Public Authority	Federal Ministry of Economics and Technology	Consulted
EL	Consumer association	Association for the Quality of Life - E.K.PI.ZO	Contacted
EL	Consumer association	Consumers' Protection Center - KEPKA	Consulted
EL	Consumer association	General Consumers' Federation of Greece - INKA	Contacted
EL	Industry association	Hellenic Tanners' Association	Contacted
EL	Industry association	HCIA	Contacted
EL	Public Authority	the General Chemical State Laboratory of Greece	Consulted

ES	Consumer association	CECU	Declined
ES	Consumer association	OCU	Declined
ES	Consumer association	Unión de Consumidores de España	Declined
ES	Consumer association	FACUA - Consumidores en Acción	Contacted
ES	Industry association	Confederación Española de Curtidores CEC-FECUR	Consulted
ES	Public Authority	Instituto Nacional del Consumo	Consulted
FR	Consumer association	Consommation, Logement et Cadre de Vie - CLCV	Declined
FR	Consumer association	Organisation Générale des Consommateurs	Declined
FR	Consumer association	L'association des consommateurs de France	Contacted
FR	Consumer association	Association Force Ouvrière Consommateurs	Contacted
FR	Industry association	Fédération Française de la Tannerie Megisserie FFTM	Consulted
FR	Public Authority	Direction General des Entreprises	Consulted
HU	Consumer association	NACPH - OFE	Contacted
HU	Industry association	Association for leather and shoe industry-BCE	Consulted
HU	Public Authority	Ministry of National Economy	Consulted
HU	Industry association	BIMEO	Consulted
IT	Consumer association	CIE	Consulted
IT	Consumer association	Altroconsumo	Contacted
IT	Industry association	UNIC – Unione Nazionale Industrie Conciaria	Consulted
IT	Public Authority	Ministry of Economic Development	Consulted
IT	Public Authority	Regione Veneto	Contacted
LT	Consumer association	Lithuanian Consumer Institute	Contacted
LT	Industry association	LOGVA - Association of Leather Producers and Consumers of Lithuania	Contacted
LT	Public Authority	Ministry of Economy	Consulted
NL	Consumer association	Consumentenbond	Declined
NL	Public Authority	Dutch Ministry of Economic Affairs, Agriculture and Innovation	Consulted
NL	Industry association	Royal Dutch Tanneries	Consulted

PL	Consumer association	Federacja Konsumentów	Contacted
PL	Public Authority	Urząd Ochrony Konkurencji i Konsumentów	Consulted
PL	Industry association	Polish Chamber of Shoe and Leather Industry	Consulted
PT	Industry association	APIC - Associação Portuguesa dos Industriais de Curtumes	Consulted
PT	Public Authority	Directorate General of Economic Activities	Consulted
RO	Consumer association	APC	Contacted
RO	Industry association	APPBR - Asociația Producătorilor de Pieleși Blana din România	Contacted
RO	Public Authority	Ministry of Economy	Contacted
SE	Consumer association	Svenske Consumenter	Contacted
SE	Industry association	Svenska Garveri- och Skarvarbetsföreningen Elmo Leather AB	Consulted
SE	Public Authority	Ministry of Justice	Consulted
UK	Consumer association	Which	Consulted
UK	Industry association	UK Leather	Consulted
UK	Public Authority	Department for Business Innovation and Skills (BIS)	Consulted

10.4 Annex 4: Leather Market Definition and Key Figures: jan-dec. 2011

The blue figures are estimates. The estimates have been calculated based on the average ratios production/import and production/export for the product categories where data was available. The choice of product categories follows the CBI market Survey March 2010¹³⁷. Only product series 14111000 was not included in the aforementioned market survey. Footwear has not been included in the definition as it is currently regulated under a separate directive.

PRoCom Codes/Indicators	Export Quantity (Units)	Export Value (€)	Import Quantity (Units)	Import Value (€)	Domestic Production Quantity (Units)	Domestic Production Value (€)
14111000 - Articles of apparel of leather or of composition leather (including coats and overcoats) (excluding clothing accessories, headgear, footwear)	6,451,070	442,946,500	93,810,961	958,864,600	10,802,233	1,044,807,930
14193175 - Gloves, mittens and mitts, of leather or composition leather (excluding for sport, protective for all trades)	2,302,733	33,658,340	39,727,003	153,032,320	5,253,639	76,238,616
14193180 - Belts and bandoliers, of leather or composition leather	32,309,323	350,149,520	469,839,632	170,076,890	54,101,537	722,424,070
15121210 - Trunks, suitcases, vanity-cases, briefcases, school satchels and similar containers of leather, composition leather, patent leather, plastics, textile materials, aluminium or other materials	5,971,978	519,608,330	86,844,045	1,267,094,020	10,000,000	550,000,000

¹³⁷ CBI Dutch Ministry of Foreign Affairs. March 2010. *The luggage and leather goods market in the EU*. Available at: [L http://www.cbi.eu/?pag=85&doc=3777&typ=mid_document](http://www.cbi.eu/?pag=85&doc=3777&typ=mid_document)

15121220 - Handbags of leather, composition leather, patent leather, plastic sheeting, textile materials or other materials (including those without a handle)	43,680,028	3,553,157,560	566,564,377	2,384,176,690	57,771,413	4,624,077,538
Leather Total (excluding footwear)	45,982,761	4,899,520,250	606,291,380	4,933,244,520	137,928,822	7,017,548,154